



# **UNAUDITED ANNUAL FINANCIAL STATEMENTS**

**for the year ended  
30 JUNE 2016**

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## COUNCIL MEMBERS

NR	SURNAME	INITIALS	NR	SURNAME	INITIALS
1	ADAMS	ND	32	LE ROUX	JF
2	ADRIAANSE	MM	33	LUMKO	S
3	AFRIKA	AF	34	MANGENA	TC
4	ALLOM	A	35	MATTHEE	J
5	APPOLLIS	CJ	36	MBUBU	V
6	APPOLLIS	MB	37	MCHELM	JC
7	ARNOLDS	RB	38	MSOLO	MC
8	BEKEER	A	39	MTIKI	N
9	BLANCKENBERG	DS	40	NAUDE	WJ
10	BOLANI	LE	41	NIEHAUS	LW
11	BUCKLE	AML	42	NOMANA	TZ
12	COMBRINK	GC	43	NTLEMEZA	LE
13	CUPIDO	FP	44	PALISO	M
14	CUPIDO	PBA	45	PHILANDER	WF
15	DARIES	LN	46	POOLE	CJ
16	DAVIDS	CO	47	RADEMEYER	JG
17	DE GOEDE	HR	48	RENS	SC
18	DE WET	J	49	ROSS	CS
19	DU TOIT	LM	50	ROSS	S
20	GOUWS	E	51	SMIT	WE
21	GWADA	ZL	52	SMITH	MJ
22	HLATHI	V	53	SMUTS	R
23	JACOBS	AN	54	SOMGQEZA	TE
24	JULIUS	EA	55	STOWMAN	AC
25	KEARNS	C	56	TSHAYA	MA
26	KEARNS	EM	57	VAN DER WESTHUIZEN	CC
27	KIKA-DYSON	SN	58	VAN DEVENTER	GMM
28	KEM	Z	59	VAN NIEUWENHUYZEN	RH
29	KOEGELENBERG	RA	60	VON SCHLICHT	H
30	KOTZE	DA	61	WITBOOI	GJ
31	LANDU	L			

I certify that the remuneration, allowances and benefits of the above Councillors as disclosed in note 31 of the Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Governments determination in accordance with this Act.



MR J CARSTENS  
ACTING MUNICIPAL MANAGER

31 August 2016

## **MEMBERS OF THE AUDIT COMMITTEE**

MR R KINGWILL	CHAIRPERSON
DR WJ SEWELL	MEMBER
MS K MONTGOMERY	MEMBER
MR T ARENDSE	MEMBER

## **GENERAL INFORMATION**

AUDITORS	THE AUDITOR-GENERAL OF SOUTH AFRICA
BANKERS	NEDBANK LIMITED
REGISTERED OFFICE	DRAKENSTEIN MUNICIPALITY
PHYSICAL ADDRESS	BERG RIVER BOULEVARD PAARL 7622
POSTAL ADDRESS	P O BOX 1 PAARL 7646
TELEPHONE	(021) 807 - 4500
FAX	(021) 872 - 8054
ACTING MUNICIPAL MANAGER	MR J CARSTENS
ACTING CHIEF FINANCIAL OFFICER	MRS C LATEGAN
EXECUTIVE MAYOR	COUNCILLOR CJ POOLE
EXECUTIVE DEPUTY MAYOR	COUNCILLOR G COMBRINK
SPEAKER	COUNCILLOR K LE ROUX

## **EXECUTIVE MANAGEMENT**

ACTING MUNICIPAL MANAGER	MR J CARSTENS
EXECUTIVE MANAGER: CORPORATE SERVICES	MRS A DE BEER
ACTING CHIEF FINANCIAL OFFICER	MRS C LATEGAN
ACTING EXECUTIVE MANAGER: PLANNING & ECONOMIC DEVELOPMENT	MR D SMIT
EXECUTIVE MANAGER: INFRASTRUCTURE SERVICES	MR D LOUW
EXECUTIVE MANAGER: COMMUNITY SERVICES	MR G BOSHOFF

## **APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 93, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.



\_\_\_\_\_  
**MR J CARSTENS**  
**ACTING MUNICIPAL MANAGER**

31 August 2016

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2016**

	Note	JUNE 2016	JUNE 2015
		R	Restated R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	11	4,691,103,319	4,524,049,610
Heritage assets	14	4,428,661,748	27,542,700
Intangible assets	12	27,542,700	6,685,477
Investment property	13	9,196,360	57,430,000
Non-current investments	15	54,905,000	393,475
Non-current receivables from exchange transactions	16	429,962	2,792,209
		3,313,840	
<b>Current assets</b>			
Inventory	17	632,329,260	537,664,901
Trade and other receivables from exchange transactions	19	25,445,151	202,982,898
Receivables from non-exchange transactions	20	171,569,370	67,601,253
Current portion of non-current receivables	16	65,947,176	349,909
Cash and cash equivalents	21	326,947	324,705,061
VAT receivable	18	259,525,666	16,933,669
		14,850,590	
<b>Total Assets</b>		<b>5,323,432,579</b>	<b>5,061,714,510</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	5	1,050,358,537	839,551,915
Non-current defined benefit obligations	6	768,548,875	608,306,417
Non-current provisions	7	121,978,000	124,112,000
Non-current finance lease liability	5	157,850,233	107,133,498
		1,981,429	0
<b>Current liabilities</b>			
Consumer deposits	8	495,918,224	492,017,452
Trade and other payables from exchange transactions	9	33,954,766	31,172,685
Unspent conditional grants and receipts	10	224,106,352	198,501,078
Current portion of non-current borrowings	5	54,719,210	54,152,291
Current portion of finance lease liabilities	5	134,288,458	132,932,517
VAT payable (Control)	18	1,080,956	0
Current defined benefit obligations	6	46,662	0
Current provisions	7	7,469,000	7,545,000
		40,252,819	67,713,881
<b>Net assets</b>			
Reserves and funds	3	3,777,155,818	3,730,145,143
Housing development fund	2	1,322,488,797	1,350,881,640
Accumulated surplus / (deficit)	4	13,358,016	17,107,561
		2,441,309,005	2,362,155,942
<b>Total Net Assets and Liabilities</b>		<b>5,323,432,578</b>	<b>5,061,714,510</b>

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 R	2015 Restated R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Service charges	23	1,172,420,724	1,071,315,770
Sale of goods and rendering of services	24	13,524,518	11,963,146
Rental from fixed assets	25	24,468,938	10,442,409
Finance income and dividends	26	30,414,008	27,481,993
Operational revenue (exchange)	29	4,410,635	7,009,942
<b>Revenue from non-exchange transactions</b>			
Property rates	22	209,584,845	193,848,793
Surcharges and taxes		1,076,449	1,653,336
Fines, penalties and forfeits	27	52,716,212	49,723,553
Licences and permits		15,856,836	14,338,251
Transfers and subsidies	28	204,670,166	195,420,954
Operational revenue (non - exchange)	29	717,800	782,758
<b>Total Revenue</b>		<b>1,729,861,133</b>	<b>1,583,980,905</b>
<b>EXPENDITURE</b>			
Employee related cost	30	428,697,279	412,476,034
Councillor related costs	31	21,053,960	19,975,559
Depreciation and amortisation	33	172,942,787	163,831,147
Operating leases		14,180,797	12,814,731
Interest paid	35	76,609,347	61,024,588
Bulk purchases : water	36	33,969,884	30,215,474
Bulk purchases : electricity	36	592,626,886	512,849,405
Contracted services	37	127,338,201	125,074,347
Inventory		39,052,906	38,469,707
Transfers and subsidies : operational expenditure		4,868,157	4,222,949
Operational cost	38	116,432,800	160,939,079
<b>Total Expenditure</b>		<b>1,627,773,002</b>	<b>1,541,893,020</b>
<b>GAINS AND LOSSES</b>			
Impairment losses on financial assets	32	84,589,556	71,708,911
Impairment losses on PPE, IA, IP & HA	34	0	2,041,000
Gains /(losses) on disposal of PPE, IA, IP & HA		2,673,381	1,407,072
Fair value adjustments Financial Assets		36,487	(24,909)
Fair value adjustments Investment Property		(2,550,000)	0
Gains/(losses) on Inventory		34,301	164,821
Gains from assets from non-exchange transactions		(17,056,978)	(2,474,669)
		<b>67,726,746</b>	<b>72,822,226</b>
<b>Surplus / (Deficit) from continued operations</b>	58	<b>34,361,384</b>	<b>(30,734,341)</b>
<b>Total Surplus / (Deficit) from operations</b>		<b>34,361,384</b>	<b>(30,734,341)</b>

**DRAKENSTEIN MUNICIPALITY**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Note	<u>2016</u>	<u>2015</u>
		R	<u>RESTATED</u> R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>			
Property rates		208,921,333	197,215,634
Sale of goods and services		1,188,640,824	1,084,640,115
Grants received		205,237,086	204,663,213
Interest received		30,398,888	13,752,436
Dividends received		15,120	15,120
Other receipts and fines received		73,701,484	73,004,405
<b>PAYMENTS</b>			
Employee cost		(449,751,239)	(399,508,546)
Suppliers		(955,858,653)	(913,174,589)
Interest paid		(76,609,347)	(61,024,588)
VAT paid		(2,036,417)	2,749,201
<b>NET CASH FROM OPERATING ACTIVITIES</b>	36	<b>222,659,080</b>	<b>202,332,400</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and intangible assets		(329,380,523)	(215,403,678)
Proceeds on disposal of property, plant and equipment		3,936,341	0
Decrease/(Increase) in non-current receivables		521,630	(2,302,075)
Decrease/(Increase) in call investment deposits		0	0
(Decrease)/Increase in non current investment		0	0
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(324,922,551)</b>	<b>(217,705,753)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease) / Increase in long-term liabilities		161,598,399	89,355,438
Increase in consumer deposits		2,782,081	2,710,616
Increase/(Decrease) in Financial Lease Liability		3,062,385	0
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>167,442,865</b>	<b>92,066,054</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>65,179,394</b>	<b>76,692,701</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	21	259,525,666	182,832,965
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	<b>324,705,060</b>	<b>259,525,666</b>

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016**

	Note Ref.	Housing Development Fund	Revaluation Reserve	Total Accumulated Surplus	Total
		R	R	R	R
<b>BALANCE AT 30 JUNE 2014</b>		<b>30,899,273</b>	<b>1,405,303,574</b>	<b>2,421,995,928</b>	<b>3,858,198,777</b>
<b>PRIOR YEAR ADJUSTMENTS</b>					
Correction of Rental Income	40(b)(iv)(a)	0	0	(16,534)	(16,534)
Correction of Prior year expenditure	40(b)(iv)(b)	0	0	(262,095)	(262,095)
Correction of Non-current Investments	40(b)(iv)(c)	0	0	320,078	320,078
Correction of VAT Apportionment	40(b)(iv)(d)	0	0	(582,081)	(582,081)
Correction of Inventory adjustments	40(b)(iv)(f)	0	0	121,079	121,079
Correction of Service charges and Operational Revenue	40(b)(iv)(g)	0	0	(227,044)	(227,044)
Correction of Recoverable debtors	40(b)(iv)(h)	0	0	49,973	49,973
Correction of Housing debtors	40(b)(iv)(j)	0	0	(4,105,550)	(4,105,550)
Correction of Borrowings	40(b)(iv)(k)	0	0	18,772	18,772
Corrections of Sale of land	40(b)(iv)(l)	0	0	(39,600)	(39,600)
Corrections of PPE - Land and Buildings	40(b)(iv)(l)	0	(28,286,815)	(64,284,259)	(92,571,074)
Corrections of Intangible assets	40(b)(iv)(l)	0	0	(2,393,127)	(2,393,127)
<b>BALANCE AT 30 JUNE 2014</b>		<b>30,899,273</b>	<b>1,377,016,759</b>	<b>2,350,595,539</b>	<b>3,758,511,573</b>
<b>2015</b>					
Net surplus/(deficit) for the year		0	0	(32,616,937)	(32,616,937)
Transfer to CRR		0	0	0	0
Property, plant and equipment purchased		0	0	0	0
Intangible assets purchased		0	0	0	0
Capital grants used to purchase PPE		0	0	0	0
Contribution to / (from) Insurance Reserve		0	0	(0)	(0)
Asset Disposals		0	(3,117,987)	9,729,656	6,611,669
Asset Transfers from PPE to Investment property		0	0	0	0
Library Books		0	0	0	0
Fair Value Adjustment		0	0	0	0
Fair value adjustment on PPE		0	0	0	0
Transfer to Housing Development Fund		(13,791,711)	0	15,436,046	1,644,334
Offsetting of Depreciation		0	(23,132,569)	17,244,480	(5,888,091)
<b>BALANCE AT 30 JUNE 2015</b>		<b>17,107,562</b>	<b>1,350,786,203</b>	<b>2,360,388,783</b>	<b>3,728,262,548</b>
<b>PRIOR YEAR ADJUSTMENTS</b>					
Correction of Rental Income	40(b)(iv)(a)	0	0	(6,706)	(6,706)
Correction of Advertising, Publicity and Marketing	40(b)(iv)(b)	0	0	(355,047)	(355,047)
Correction of Non-current Investments	40(b)(iv)(c)	0	0	24,909	24,909
Correction of Non-current Investments	40(b)(iv)(c)	0	0	8,143	8,143
Correction of VAT Receivable	40(b)(iv)(e)	0	0	(299,761)	(299,761)
Correction of Service charges and Operational Revenue	40(b)(iv)(g)	0	0	5,918	5,918
Correction of Service charges and Operational Revenue	40(b)(iv)(g)	0	0	10,698	10,698
Correction of Recoverable debtors	40(b)(iv)(h)	0	0	16,556	16,556
Correction of Recoverable debtors	40(b)(iv)(h)	0	0	341,671	341,671
Correction of depreciation and amortisation	40(b)(iv)(i)	0	0	2,236,214	2,236,214
Correction of operating expenditure incorrectly capitalised	40(b)(iv)(i)	0	0	(100,000)	(100,000)
Correction of offsetting depreciation	40(b)(iv)(i)	0	115,436	(115,437)	(1)
		<b>17,107,562</b>	<b>1,350,881,638</b>	<b>2,362,155,942</b>	<b>3,730,145,143</b>
<b>2016</b>					
Net surplus/(deficit) for the year		0	0	43,938,636	43,938,636
Transfer to CRR		0	0	0	0
Property, plant and equipment purchased		0	0	0	0
Intangible assets purchased		0	0	0	0
Capital grants used to purchase PPE		0	0	0	0
Contribution to / (from) Insurance Reserve		0	0	(0)	(0)
Asset Disposals		0	(3,416,166)	3,416,166	1
Asset Transfers from PPE to Investment property		0	0	0	0
Library Books		0	0	0	0
Fair Value Adjustment		0	0	0	0
Fair value adjustment on PPE		0	0	0	0
Transfer to Housing Development Fund		(3,749,545)	0	6,821,584	3,072,039
Offsetting of Depreciation		0	(24,976,677)	24,976,677	0
<b>BALANCE AT 30 JUNE 2016</b>		<b>13,358,016</b>	<b>1,322,488,797</b>	<b>2,441,309,005</b>	<b>3,777,155,818</b>
<b>NOTE REFERENCE</b>		<b>2</b>	<b>3</b>	<b>4</b>	

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016**

DESCRIPTIONS	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Shifting of Funds	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Final Budget R	Actual Outcome as % of Original Budget R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	26,000,000	0	25,890,000	0	0	25,800,000	19,755,470	0	(5,243,530)	79,03%	78,03%
Receivables from Exchange Transactions	290,396,743	0	290,396,743	0	0	290,396,743	202,982,896	0	(87,413,846)	69,90%	69,90%
Receivables from Non-exchange Transactions	56,891,587	0	56,891,587	0	0	56,891,587	67,801,253	0	10,709,696	118,82%	118,82%
VAT Receivable	0	0	0	0	0	0	16,023,659	0	16,023,659	200,00%	200,00%
Cash and Cash Equivalents	188,752,029	182,784,448	361,638,475	0	0	361,538,475	324,705,061	0	(36,831,415)	89,81%	102,42%
Current Portion of Long-term Receivables	289,000	0	289,000	0	0	289,000	346,909	0	60,909	121,08%	121,08%
<b>Non-Current Assets</b>											
Property, Plant and Equipment	4,712,922,004	(21,1597,128)	4,691,384,868	0	0	4,691,384,868	4,598,259,158	0	(95,126,508)	97,97%	97,97%
Intangible Assets	7,881,276	1,308,889	9,190,45	0	0	9,190,45	6,985,477	0	(2,504,688)	72,75%	84,83%
Investment Property	83,057,000	(38,162,000)	54,905,000	0	0	54,905,000	57,130,000	0	2,525,000	104,86%	61,71%
Hedge Assets	0	0	0	0	0	0	27,542,700	0	27,542,700	200,00%	200,00%
Non-current Investments	146,153	0	146,153	0	0	146,153	393,476	0	247,322	209,22%	208,22%
Long-term Receivables	1,266,946	0	1,266,946	0	0	1,266,946	2,782,209	0	1,492,264	214,79%	214,79%
<b>Total Assets</b>	6,356,635,827	134,404,187	6,491,059,014	0	0	5,931,040,014	5,323,432,379	0	(187,607,435)	0,00%	0,00%
<b>Current Liabilities</b>											
Consumer Deposits	29,103,025	0	29,103,025	0	0	29,103,025	33,954,768	0	4,760,841	118,31%	118,31%
Provisions	25,271,534	0	25,271,534	0	0	25,271,534	47,721,619	0	22,450,285	188,84%	188,84%
Payables	203,022,086	0	203,022,086	0	0	203,022,086	224,108,352	0	21,084,256	110,39%	110,39%
Unspent Conditional Grants and Receipts	0	0	0	0	0	0	54,719,210	0	54,719,210	200,00%	0,00%
VAT Payable	0	0	0	0	0	0	48,002	0	48,002	0,00%	0,00%
Current Portion of Long-term Liabilities	135,050,676	0	135,050,676	0	0	135,050,676	134,288,458	0	(762,218)	99,84%	99,84%
Current Portion of Finance Leases	0	0	0	0	0	0	1,080,956	0	1,080,956	0,00%	0,00%
Non-Current Liabilities	767,498,696	0	767,498,696	0	0	767,498,696	769,546,875	0	1,050,209	100,14%	100,14%
Long-term Liabilities	0	0	0	0	0	0	121,978,000	0	121,978,000	0,00%	0,00%
Retirement Benefit Liabilities	299,285,287	0	299,285,287	0	0	299,285,287	157,850,233	0	(141,435,034)	52,74%	52,74%
Non-current Provisions	0	0	0	0	0	0	1,981,120	0	1,981,120	0,00%	0,00%
Finance Lease Liability	1,459,922,168	0	1,459,922,168	0	0	1,459,922,168	1,546,276,760	0	86,984,596	105,98%	106,98%
<b>Total Assets and Liabilities</b>	3,687,714,663	134,404,187	4,031,717,850	0	0	4,031,717,850	3,771,155,318	0	(254,552,032)	93,85%	96,92%
<b>Net Assets (Equity)</b>											
Statutory Funds	0	0	0	0	0	0	13,358,016	0	13,358,016	200,00%	200,00%
Reserves	2,256,451,883	126,888,078	2,383,339,962	0	0	2,383,339,962	1,322,468,707	0	(1,080,851,165)	55,46%	58,61%
Accumulated Surplus / (Deficit)	1,840,867,780	7,515,108	1,848,377,888	0	0	1,848,377,888	2,441,309,006	0	782,931,118	148,10%	148,78%
<b>Total Net Assets</b>	3,687,714,663	134,404,187	4,031,717,850	0	0	4,031,717,850	3,771,155,318	0	(254,552,032)	93,85%	96,92%

FINANCIAL PERFORMANCE	
Revenue from Non-exchange Transactions	
Property Rates	98.72%
Property Rates - Penalties imposed and collection charges	98.10%
Fines	80.44%
Licences and Permits	78.15%
Government Grants and Subsidies Received	117.41%
Revenue from Exchange Transactions	79.88%
Service Charges	98.19%
Rental of Facilities and Equipment	104.67%
Interest Earned - External Investments	175.34%
Interest Earned - Outstanding Debtors	102.61%
Dividends Received	100.00%
Other Income	155.84%
Gains on Disposal of Property, Plant and Equipment	197.00%
<b>Total Revenue</b>	<b>97.78%</b>
Expenditure	
Employee Related Costs	98.68%
Ramification of Court Orders	98.83%
Damages and Amortisation	98.77%
Fines Costs	98.77%
Bulk Purchases	110.82%
Contracted Services	98.22%
Grants and Subsidies Paid	530.19%
Impairment of Financial Assets	70.91%
General Expenses	102.65%
Loss on Disposal of Property, Plant and Equipment	87.97%
<b>Total Expenditure</b>	<b>95.73%</b>
Surplus/(Deficit)	-120.43%
Transfers Recognised - Capital	-184.30%
Contributions Recognised - Capital and Contributed Assets	99.16%
<b>Surplus/(Deficit) for the Year</b>	<b>-</b>

210,543,709	1,174,284	211,718,003	209,544,888	0	(1,773,115)	98.10%	
1,338,163	0	0	1,338,163	0	(261,714)	80.44%	
67,453,766	(16,220,340)	51,233,420	52,716,212	0	1,482,762	102.89%	
13,605,088	621,213	14,026,301	15,266,938	0	1,890,536	113.05%	
182,871,423	22,849,735	205,721,158	146,254,561	0	(59,406,587)	71.08%	
1,274,811,072	18,942,486	1,283,754,170	1,281,753,416	0	(42,000,755)	98.75%	
23,479,783	(32,487)	0	23,447,298	24,34,599	0	987,303	104.21%
10,931,986	3,000,000	13,984,680	13,984,880	0	5,278,184	137.73%	
10,931,059	38,907	10,867,968	10,967,986	0	183,143	101.87%	
15,120	0	15,120	15,120	0	0	100.00%	
31,184,533	(13,387,945)	18,443,988	18,443,588	0	31,115,611	268.71%	
250,000	0	250,000	250,000	0	4,875,000	1970.00%	
<b>1,023,026,195</b>	<b>16,873,870</b>	<b>1,844,900,065</b>	<b>1,785,948,482</b>	<b>0</b>	<b>(57,851,863)</b>	<b>-3.24%</b>	
441,903,937	(828,546)	440,176,391	440,175,381	0	14,232,018	98.77%	
21,346,235	0	0	21,346,235	0	292,275	98.83%	
178,720,770	0	178,720,770	172,042,787	0	5,777,983	98.77%	
65,128,330	9,839,439	78,687,769	78,687,768	0	2,356,422	97.01%	
615,903,986	(25,071,540)	580,832,128	580,832,126	0	(1,794,789)	100.30%	
23,482,360	119,474,548	142,056,208	124,505,542	0	18,492,688	87.05%	
694,500	0	694,500	492,400	0	202,000	70.91%	
98,266,810	(13,805,346)	82,461,264	84,588,556	0	(2,128,292)	102.65%	
459,317,871	(48,543,307)	410,774,564	324,871,511	0	85,903,053	79.09%	
2,000,000	0	2,000,000	2,373,381	0	(673,381)	133.67%	
<b>1,007,862,278</b>	<b>41,095,549</b>	<b>1,948,930,827</b>	<b>1,848,908,843</b>	<b>0</b>	<b>673,381</b>	<b>97.71</b>	
(79,350,083)	(24,191,679)	(104,030,762)	(39,360,381)	0	84,870,381	-184.30%	
51,306,577	23,026,193	74,332,770	74,332,770	0	(811,004)	99.16%	
0	0	0	0	0	0	143.89%	
<b>(26,532,510)</b>	<b>(1,155,460)</b>	<b>(29,697,982)</b>	<b>0</b>	<b>0</b>	<b>(26,697,982)</b>	<b>-120.43%</b>	

CAPITAL EXPENDITURE PER FUNCTION			
Executive and Council	10,602,500	(9,780,160)	1,012,340
Budget and Treasury Office	75,000	282,807	276,376
Corporate Services	19,864,302	5,988,916	25,251,218
Planning and Development	1,982,000	(1,641,310)	340,690
Environmental Protection	768,000	(250,111)	409,869
Community and Social Services	2,108,500	(1,618,173)	491,327
Housing	1,400,000	1,866,045	3,256,045
Public Safety	1,240,000	2,580,008	3,820,008
Sport and Recreation	1,305,275	23,945,085	23,945,085
Waste Management	10,125,000	(5,768,224)	12,386,776
Waste Water Management	91,115,444	(6,249,622)	61,885,822
Road Transport	81,015,240	52,108	61,541,346
Water	86,832,105	(14,474,579)	72,157,526
Electricity	57,310,592	(22,981,817)	34,334,775
Other	0	0	0
<b>Total Sources of Capital Funds</b>	<b>375,837,483</b>	<b>(54,771,836)</b>	<b>321,005,855</b>
<b>CASH FLOW</b>			
Cash Flows from/(used in) Operating Activities	246,802,461	7,515,109	254,077,570
Cash Flows from/(used in) Investing Activities	(384,925,368)	(309,251,530)	(309,251,530)
Cash Flows from/(used in) Financing Activities	162,048,690	0	162,048,690
Cash/Cash equivalents at the year begin:	44,287,713	82,269,947	106,074,751
Cash/cash equivalents at the year end:	124,184,246	130,497,499	254,681,745
	168,752,028	192,764,446	361,516,475
			<b>217,830,329</b>
			<b>88,75</b>
			<b>84,38%</b>

# DRAKENSTEIN MUNICIPALITY

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 1. BASIS OF PRESENTATION

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standards of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with GRAP 3 as read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of the annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the notes on changes in accounting policies

These standards are summarised as follows:

Reference	Topic
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets

GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits - issued December 2009
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of Functions Between Entities Under Common Control
GRAP 106	Transfers of Functions Between Entities Not Under Common Control
GRAP 107	Mergers
IFRS 4	Insurance contracts
IFRS 6	Exploration for and evaluation of mineral resources
IAS 12	Income taxes
IGRAP 1	Applying the probable test on initial recognition of revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a lease
IGRAP 4	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidations – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-monetary Contributions by Ventures
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IFRIC 12	Service concession arrangements
IFRIC 21	Levies
SIC 25	Income taxes – Changes in the status of an enterprise or its shareholders
SIC 29	Disclosure service concession
Directive 1	Repeal of existing transitional provisions in, and consequential amendments to, standards of GRAP
Directive 3	Transitional provisions for high capacity municipalities
Directive 5	Determine the GRAP reporting framework
Directive 7	The Application of Deemed Cost
Directive 11	Changes in the Measurement Bases Following the Initial Adoption of the Standards of GRAP
ASB Guide 1	Guideline on accounting for public private partnerships

The Cash Flow Statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not been determined by the Minister of Finance

## **2. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Reference	Topic
GRAP 18	Segment Reporting - issued March 2005
GRAP 20	Related Party Disclosures (Revised)
GRAP 32	Service Concession Arrangement Grantor
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board or, International Financial Reporting Standards. Where a standard of GRAP has been issued, but is not in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

## **3. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand and are rounded off to the nearest Rand.

#### **4. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

#### **5. OFFSETTING**

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **6. COMPARATIVE INFORMATION AND BUDGET INFORMATION**

##### **6.1 Current year comparatives**

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving motivations for over- or under spending on line items where it is found to be material. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2015 to 30 June 2016.

In general a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

##### **6.2 Prior year comparatives**

The comparative figures of one prior period disclosed. When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

#### **7. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997).

## **7.1 Housing Development Fund**

Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, required that the Municipality maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4) (d) (ii) (aa), read with, *inter alia*, Section 16(2), that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account, and be utilised by the Municipality for housing development in accordance with the National Housing Policy.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the National Minister of Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

## **7.2 Un-realized Housing Proceeds**

In order to comply with Section 14(4) (d) (i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the un-realized funds due by long-term housing selling schemes and sponsored loan debtors. This account is reduced when debtors are billed for their payment.

# **8. INTERNAL RESERVES AND REVALUATION RESERVE**

## **8.1 Insurance Reserve**

A general Insurance Reserve has been established and, subject to re-insurance where deemed necessary, it covers claims not covered by external insurance. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

Insurance premiums paid to external insurers are regarded as an expense and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The cash in the municipal bank or investment account, as per cash and cash equivalents in the Statement of Financial Position, is ring-fenced and can only be utilised to finance items of property, plant and equipment.

## **8.2 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as re-valued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on re-valued amounts are credited or charged to the Statement of Financial Performance.

## **9. PROVISIONS**

Provisions are recognized when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

### **9.1 Environmental rehabilitation provisions**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account

current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

## **10. PROPERTY, PLANT AND EQUIPMENT**

### **10.1 Initial recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

## **10.2 Subsequent measurement**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation."

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

## **10.3 Depreciation**

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a

cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

The estimated useful life, residual values and depreciation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

<b>Asset class</b>	<b>Useful lives as applied in the AR (years)</b>
<b>Infrastructure</b>	
Roads and storm water	5-100
Electricity	5-75
Water	5-100
Sewerage	5-100
Solid Waste	5-100
<b>Buildings, structures and facilities</b>	
Buildings	50
Recreational and sports facilities	5-100
Parks, gardens and cemeteries	5-100
Housing assets	50
<b>Other assets</b>	
Transport Assets	5-20
Computer and other office equipment	3-10
Furniture & fittings	5-10
Machinery and equipment	5-10

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

#### **10.4 De-recognition of property, plant and equipment**

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying values of assets  
(Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as

a gain or loss on disposal of property, plant and equipment.

## **11. INTANGIBLE ASSETS**

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortization is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **12. INVESTMENT PROPERTIES**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use.
- A building owned (or held by under a finance lease) and leased out under one or more operating leases.
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.
- A building that is vacant but is held to be leased out under one or more operating leases.
- Property that is being constructed or developed for future use as investment property;

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **13. HERITAGE ASSETS**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and

preserved indefinitely for the benefit of present and future generations.

The Municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified as Heritage Assets. Furthermore land with a natural significance is not componentised but seen as a single Heritage asset due to all parts contributing together to make up its significance.

GRAP 103 requires that land and buildings that qualify as Heritage assets, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, should be recognised as property, plant and equipment, rather than heritage assets.

### **13.1 Initial recognition**

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

### **13.2 Subsequent measurement**

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding Heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage

assets are not depreciated.

Subsequent to initial recognition, land and buildings which qualify as Heritage Assets are carried at a revalued amount based on municipal valuations less subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

### **13.3 De-recognition of heritage assets**

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

## **14. INVENTORIES**

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for plants which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

#### **14.1 Water inventory**

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

#### **14.2 Housing inventory**

Housing inventory is BNG (Building New Ground) houses still in process of construction, or completed and not yet transferred. These houses are entirely funded by the National Department of Human Settlements, through the Western Cape Department of Human Settlements, but the Municipality is regarded as a principal in terms of the current interpretation of GRAP of Agent and Principal transactions and therefore recognises these costs as inventory up to the point of transfer to the allocated beneficiary where after the cost is expensed through the Statement of Financial Performance. Housing inventory is measured at the lower of cost and current replacement cost as they will be distributed through a non-exchange transaction.

### **15. DISCONTINUED OPERATIONS**

#### **15.1 Initial recognition**

A discontinued operation refers to the disposal of a significant operating activity within the Municipality.

#### **15.2 Subsequent measurement**

Disposal groups were measured at the lower of their previous carrying amount and fair value less costs to sell in the previous reporting period.

The non-current assets were not depreciated (or amortised) while they were held as of a disposal group classified.

Interest and other expenses attributable to the liabilities of the disposal group classified as held for sale were recognised in surplus or deficit.

The gain or loss on the disposal of the discontinued operation is presented separately from continuing operations on the face of the Statement of Financial Performance.

## **16. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND HERITAGE ASSETS**

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

### **16.1 Impairment of cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

## **16.2 Impairment of non-cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## 17. EMPLOYEE BENEFITS

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

### 17.1 Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

### 17.2 Post-employment benefits: Defined contribution plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

### 17.3 Post-employment benefits: Defined benefit plans

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

### **17.3.1 Post-retirement Health Care Benefits:**

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

### **17.3.2 Ex-gratia Pension Benefits:**

The Municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl and Wellington Municipalities (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

## **17.4 Long-service allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

## **17.5 National- and Provincially administered defined benefit plans**

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the projected unit credit method basis.

Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member where these funds are classified in terms of GRAP as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds.

Salaried personnel are members of the Cape Joint Pension fund established in terms of the Local Authorities Pension Fund Ordinance, 1969 (Ordinance 23 of 1969), and the provisions of the Pension Fund Act, 1956 (Act 24 of 1956) or the SAMWU National Provident Fund.

#### **17.6 Leave pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position.

#### **17.7 Provision for bonus**

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

### **18. LEASES**

#### **18.1 Lease classification**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

#### **18.2 The Municipality as lessee**

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **18.3 The Municipality as lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

## **19. BORROWINGS**

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Borrowing costs are recognised as an expense in the Statement of Financial Performance in the period incurred.

## **20. FINANCIAL INSTRUMENTS**

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

### **20.1 Classification of financial instruments**

#### **20.1.1 *Financial Assets***

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

*Financial asset at amortised cost* being a non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

*Financial assets measured at fair value* being financial assets that meet either of the following conditions:

- (a) Derivatives;
- (b) Combined instruments that are designated at fair value;
- (c) Instruments held for trading;
- (d) Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

*Financial assets measured at cost* being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Finance Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current portion of Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Investments in stock – ESKOM	Financial assets at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

#### **20.1.2 Financial Liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of Financial Liabilities and the classification determining how they are measured exist:

- (i) Financial liabilities measured at fair value; or
- (ii) Financial liabilities measured at amortised cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

#### **Initial and subsequent measurement**

##### ***Financial assets:***

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

### **20.2.2 Financial liabilities:**

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

### **Impairment of financial assets**

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 104, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

#### **20.3.1 Consumer debtors**

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

#### **20.3.2 Other debtors**

Other Debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

### **20.3.3 Long term debtors**

- **Housing Loans**

The loans in this group are assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

- **Other Long Term Debtors**

No provision for impairment is made for Other Long term Debtors, because it is envisaged that these debts will be fully recovered.

Other financial assets at amortised cost are assessed individually for impairment.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### **20.4 De-recognition of financial assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### **20.5 De-recognition of financial liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

## **21. REVENUErecognition**

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

### **21.1 Revenue from exchange transactions**

#### **21.1.1 Service charges**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### **21.1.2 Pre-paid electricity**

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

#### **21.1.3 Interest earned and rentals received**

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund or the Insurance Reserve.

Interest earned on the following investments is not recognized in the Statement of Financial Performance:-

- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

#### **21.1.4 Dividends**

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

#### **21.1.5 Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

#### **21.1.6 Income from agency services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

### **21.1.7 Housing rental and instalments**

Finance income from the sale of housing by way of instalment sale agreements or finance leases is recognised on a time proportion basis.

### **21.1.8 Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

## **21.2 Revenue from non-exchange transactions**

### **21.2.1 Rates and taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

### **21.2.2 Fines**

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

### **21.2.3 Donations and contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

### **21.2.4 Government grants and receipts**

- Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

- Conditional grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and

equipment, when such items of property, plant and equipment are brought into use.

- *Interest earned on unspent grants and receipts*

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance in accordance with GRAP 9.

#### **21.2.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

#### **21.2.6 Revenue recognition of unclaimed deposits**

Unclaimed deposits older than three (3) years are recognised as revenue.

### **22. VALUE ADDED TAX**

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

### **23. GRANTS-IN-AID**

The municipality transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:-

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognized in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

## **24. UNAUTHORISED EXPENDITURE**

Section 1 of the Municipal Finance Management Act (MFMA), No 56 of 2003, defines "unauthorised expenditure" as follows -

- (a) Overspending of the total amount appropriated in the municipality's approved budget;
- (b) Overspending of the total amount appropriated for a vote in the approved budget;
- (c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose or
- (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act;

Section 1 of the MFMA also defines a "vote" as:

- a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The Municipality uses the Government Finance Statistics (GFS) functions as well as directorates as the main groupings of segments of the Municipality's budget segments within the Municipality are grouped per directorate to facilitate greater accountability and budget implementation by the respective Executive Managers as well as per GFS classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **25. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **26. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **27. FOREIGN CURRENCIES**

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## **28. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of

assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

## **29. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

## **30. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

## **31. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

## DRAKENSTEIN MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 1. KEY JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the application of the municipality's accounting policies, which are described above, management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Judgements

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

#### **Lease classification – Municipality as lessor**

Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

#### **Lease classification – Municipality as lessee**

The Municipality has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Municipality.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The Municipality has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

- **Pension and other post-employment benefits**

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

## DRAKENSTEIN MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- **Classification of financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

- **Impairment of financial assets**

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

The calculation in respect of the impairment of fine receivables (receivables from non-exchange transactions) is based on an assessment of the past payment history of fines per category.

- **Valuation of Financial Assets at Fair Value**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

- **Review of useful lives of property, plant and equipment and intangible assets**

The useful lives of assets are based on management's estimation. Management considers the condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes in which the asset is deployed, availability of funding to replace the asset and changes in the market in relation to the asset to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

- **Valuation of Land and buildings and fair value estimations of Investment Property**  
Land and buildings were valued and the fair value of Investment property determined, by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

- **Impairment of property plant and equipment, intangible assets, heritage assets and inventory**

The Accounting Policies on Impairment of Cash and Non-cash generating assets as well as Inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of Property, Plant and Equipment, Intangible Assets and Heritage Assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets.

- **Provisions and contingent liabilities**

**Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities** Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

- **Revenue recognition**

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions.

In particular: in regards to revenue form exchange revenue - when goods are sold, whether the municipality had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services is rendered, whether the service has been rendered.

## **DRAKENSTEIN MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. In regards to revenue from non-exchange transactions - significant estimations were made to the initial recognition and measurement of revenue on fines, on the estimated reductions on initial recognition and measurement. Based on past experience, of the amount of revenue the Municipality is entitled to collect was calculated as 98% of the value of the fines issued, whereas it was estimated that 82% of the value of the fines issued were impaired. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

- **Budget Information**

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	Restated 2015 R
<b>2. HOUSING DEVELOPMENT FUND</b>		
<i>Realised Housing Proceeds</i>	<i>13,464,171</i>	<i>26,802,015</i>
Balance at beginning of the year	0	2,713,766
Plus : Interest & Redemption & Other on Housing Schemes	(3,281,706)	(15,436,046)
Less : (Net Loss) / Surplus on letting schemes	(467,839)	(615,565)
Less : Housing Subsidies Expenditure	9,714,626	13,464,171
Balance at the end of the year	3,643,390	4,097,258
<i>Unrealised Housing Proceeds</i>	<i>3,643,390</i>	<i>3,643,390</i>
Balance at beginning of the year	0	(453,868)
Long term Housing Loans	3,643,390	3,643,390
Balance at the end of the year	13,358,016	17,107,561
<b>TOTAL</b>		

**3. RESERVES AND FUNDS**

Re-evaluation Reserve	1,322,488,797	1,350,881,640
<b>Total Reserves</b>	<b>1,322,488,797</b>	<b>1,350,881,640</b>

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation Reserve can be made where they are in accordance with the requirements of the municipality's accounting policy. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's accounting policy. These restrictions do not apply to any amounts transferred to Accumulated Surplus. The Council do not currently intend to make any distribution from the Revaluation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.

**4. ACCUMULATED SURPLUS / (DEFICIT)**

Total Accumulated Surplus	2,441,309,005	2,362,155,942
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Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

Accumulated surplus has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

**5. BORROWINGS**

Annuity Loans	902,837,333	741,238,934
Finance Leases	3,082,385	0
<b>Sub-total</b>	<b>905,989,718</b>	<b>741,238,934</b>
Less : Current portion transferred to current liabilities	(135,369,414)	(132,932,517)
Annuity Loans	(134,288,458)	(132,932,517)
Finance Leases	(1,080,956)	0
<b>Total Borrowings</b>	<b>770,530,304</b>	<b>608,306,417</b>
Annuity Loans	768,548,875	608,306,417
Finance Leases	1,981,429	0

**5.1 Summary of Arrangements**

Annuity Loans are repaid over periods varying from 3 to 10 (2014/15: 3 to 10) years and at interest rates varying from 6.75% to 12.65% (2014/15: 6.75% to 15.00%) per annum. Annuity Loans are not secured.

The fair value of borrowings was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on borrowings.

**5.2 Obligations under Finance Leases**

**The Municipality as Lessee:**

Finance Leases relate to Property and Equipment with lease terms not more than 3 years.

The obligations under Finance Leases are as follows:

	2016 R	2015 R
Payable within one year	1,391,518	0
Payable within two to five years	2,186,946	0
Payable after five years	0	0
<b>Total minimum lease payments</b>	<b>3,578,465</b>	<b>0</b>
Future finance charges	516,079	0
<b>Present value of minimum lease payments</b>	<b>3,062,385</b>	<b>0</b>

Present value of minimum lease payments	2016 R	2015 R
Payable within one year	1,080,956	0
Payable within two to five years	1,981,429	0
Payable after five years	0	0
<b>Present value of lease obligations</b>	<b>3,062,385</b>	<b>0</b>

Finance leases was entered into for certain photocopier machines during 2015/16. The period of the leases are 36 months. Interest rates are fixed at the inception of the agreements . No arrangements have been entered into for contingent rental payments. The minimum lease payments equals the fair value of the equipment.

Borrowings has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

## 6. DEFINED BENEFIT OBLIGATION

Post Employment Health Care Benefits	2016 R	2015 R
Ex-Gratia Pension Benefits	126,078,000	127,693,000
	3,369,000	3,964,000
	<b>129,447,000</b>	<b>131,657,000</b>
Less: Transfer to Current Obligations	(7,469,000)	(7,545,000)
Post Employment Health Care Benefits	(7,222,000)	(7,232,000)
Ex-Gratia Pension Benefits	(247,000)	(313,000)
Non-Current defined Benefit Plan Obligation	<b>121,978,000</b>	<b>124,112,000</b>

### 6.1 Post Employment Health Care Benefits

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr. Niel Fourie and Mr. Julian van der Spuy of ZAQEN Actuaries Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service Members (Employees)	594	568
Continuation Members (Retirees)	212	218
<b>Total Members</b>	<b>806</b>	<b>786</b>

The liability in respect of past service has been estimated as follows:

In-service Members	53,865,000	50,423,000
Continuation Members	72,213,000	77,270,000
<b>Total Liability</b>	<b>126,078,000</b>	<b>127,693,000</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonita's
- Hosmed
- Key Health
- LA Health
- Fed Health
- Samwuned

The Future-service Cost for the ensuing year is estimated to be R 2,923,000 whereas the Interest Cost for the year after is estimated to be R 11,500,000

The principal assumptions used for the purposes of the actuarial valuations were as follows:

#### i) Rates of Interest

Discount Rate  
CPI (Consumer Price Inflation)

Yield curve Difference between nominal and yield CPI+1%	Yield curve Difference between nominal and yield CPI+1%
Yield curve based	Yield curve based

Health Care Cost Inflation Rate  
Net Effective Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:  
"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

The Actuaries used the nominal and real zero curves as at 30 June 2016 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

## ii) Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

## iii) Normal retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

**The amounts recognised in the Statement of Financial Position are as follows:**

Fair value of plan assets	0	0
Unrecognised Actuarial Gains / (Losses)	0	0
Present value of unfunded obligations	126,078,000	127,693,000
<b>Total Benefit Liability</b>	<b>126,078,000</b>	<b>127,693,000</b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	2,923,000	2,976,000
Interest cost	11,500,000	10,353,000
Actuarial losses / (gains) recognised	(8,406,873)	4,124,369

**Total Post-retirement Benefit included in Employee Related Costs (Note 30)**

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	127,693,000	117,522,000
Service costs	2,923,000	2,976,000
Interest cost	11,500,000	10,353,000
Benefits paid	(7,631,127)	(7,282,369)
Actuarial losses / (gains) recognised	(8,406,873)	4,124,369
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>126,078,000</b>	<b>127,693,000</b>

**Movements in the present value of the Defined Benefit Assets were as follows:**

Balance at the beginning of the year	0	0
Contributions from the employer	7,631,127	7,282,369
Benefits paid	(7,631,127)	(7,282,369)
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>

**The history of experienced adjustments is as follows:**

	2016 R	2015 R	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	126,078,000	127,693,000	117,522,000	111,610,119	106,550,875
Fair Value of Plan Assets	0	0	0	0	0
<b>Deficit</b>	<b>126,078,000</b>	<b>127,693,000</b>	<b>117,522,000</b>	<b>111,610,119</b>	<b>106,550,875</b>
Experienced adjustments on Plan Liabilities	0	0	0	0	0

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Effect on the defined benefit obligation	-1% Decrease	+1% Increase
Effect on the aggregate of the interest cost	122,704,000	128,713,000
Effect on the aggregate of the current service cost	11,985,000	12,589,000
	3,009,000	3,149,000

**Total accrued liability**

**-20% Mortality Rate**      **+20% Mortality Rate**

The effect of a 20% movement in the assumed mortality rates are as follows on the ensuing years assumptions:

Total accrued liability	135,074,000	118,532,000
Effect on the aggregate of the interest cost	13,228,000	11,566,000
Effect on the aggregate of the current service cost	3,305,000	2,806,000

The municipality expects to make a contribution of R 7,222,000 to the Defined Benefit Plan during the next financial year.

Refer to Note 49 "Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

## 6.2 Ex-Gratia Pension Benefits

The Municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl and Wellington Municipalities (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr. Niel Fourie and Mr. Julian van der Spuy of ZAQEN Actuaries Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Ex-Gratia Pension Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service Members (Employees)	230	243
Continuation Members (Retirees)	20	27
<b>Total Members</b>	<b>250</b>	<b>270</b>

The liability in respect of past service has been estimated as follows:

In-service Members		0	0
Continuation Members		3,369,000	3,964,000
<b>Total Liability</b>		<b>3,369,000</b>	<b>3,964,000</b>
Lump Sum Benefit		1,797,000	1,966,000
Pension Benefit		1,572,000	1,998,000
		<b>3,369,000</b>	<b>3,964,000</b>

The contribution rate payable is as follows:

For continuation members, the member contribution is 70 % and the Council contribution is 30%. For current employees the contribution rate is 60/40.

The interest-cost for the next year is estimated to be R 326,000. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

#### I) Rates of Interest

Discount Rate		Lump sum valuation
Consumer Price Inflation (CPI)		8.49%
Pension increase rate - pensioners		6.69%
Net Effective Discount Rate		7.69%
		0.74%

Discount Rate		Pensioner Valuation
Consumer Price Inflation (CPI)		8.38%
Pension increase rate - pensioners		6.68%
Net Effective Discount Rate		7.68%
		0.65%

In accordance with GRAP 25 the discount rate was determined using the implied duration of the liability to obtain an appropriate interest rate on the yield curve. The nominal and real zero curves as at 30 June 2016 supplied by the JSE was used to determine the discounted rates and CPI assumptions.

#### II) Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90)

#### iii) Normal retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

The amounts recognised in the Statement of Financial Position are as follows:

Fair value of plan assets		0	0
Unrecognised Actuarial Gains / (Losses)		0	0
Present value of unfunded obligations		3,964,000	3,964,000
<b>Total Benefit Liability</b>		<b>3,964,000</b>	<b>3,964,000</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost		0	0
Interest cost		326,000	397,000
Actuarial losses / (gains) recognised		(689,900)	(980,033)

#### Total Post-retirement Benefit Included in Employee Related Costs (Note 30)

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year		3,964,000	4,978,000
Service costs		0	0
Interest cost		326,000	397,000
Benefits paid		(231,100)	(430,967)
Actuarial losses / (gains) recognised		(689,900)	(980,033)

#### Present Value of Fund Obligation at the end of the Year

Movements in the present value of the Defined Benefit Assets were as follows:

Balance at the beginning of the year		0	0
Contributions from the employer		689,900	430,967
Benefits paid		(689,900)	(430,967)

#### Balance at the end of the year

The history of experienced adjustments is as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	3,369,000	3,964,000	4,978,000	5,602,123	7,468,823
Fair Value of Plan Assets	0	0	0	0	0
<b>Deficit</b>	<b>3,369,000</b>	<b>3,964,000</b>	<b>4,978,000</b>	<b>5,602,123</b>	<b>7,468,823</b>
Experienced adjustments on Plan Liabilities	0	0	0	0	0

The effect of a 1% movement in the assumed rate of pension increase inflation is as follows:

	1% Increase	1% Decrease
Effect on the interest cost	3,476,000	3,274,000
Effect on the defined benefit obligation	284,000	267,000

The municipality expects to make a contribution of R 247,000 to the Defined Benefit Plan during the next financial year.

Refer to Note 49 "Defined Benefit Obligation" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

## 7. PROVISIONS

	2016	2015
Balance of Current Provisions at end of year	40,252,819	67,713,881
Balance of Non-current Provisions at end of year	<u>157,850,233</u>	<u>107,133,498</u>
<b>Balance of Provisions at end of year</b>	<b><u>198,103,052</u></b>	<b><u>174,847,379</u></b>

7.1 Provision for rehabilitation are reconciled as follows :

The movement in Non-current Provisions are reconciled as follows:

Landfill site	2016	2015
Balance at beginning of year	130,113,333	71,984,149
Contributions in current year	21,484,636	58,136,426
Rehabilitation expenditure during the year	(882,687)	(7,242)
<b>Balance of landfill site</b>	<b><u>150,715,281</u></b>	<b><u>130,113,333</u></b>
Balance of Current Provisions for Rehabilitation at end of year	24,045,050	51,672,835
Balance of Non-current Provisions for Rehabilitation at end of year	<u>126,670,232</u>	<u>78,440,497</u>
<b>Balance of Non-current Provisions for Rehabilitation at end of year</b>	<b><u>150,715,281</u></b>	<b><u>130,113,333</u></b>

The council will incur further rehabilitation cost on its seven unrehabilitated dumping/landfill sites over the period 2016/17 up to 2019/20. Provision has been made for the net present value of this cost based on the status quo as at 30 June 2016. Further interventions such as the proposed management of the Wellington Landfill site or the Waste to Energy PPP (refer Note 47) may adjust the date and cost of rehabilitation.

	Proposed rehabilitation	2015/16	2014/15
Wellington Existing	2019/2020	28,316,767	24,270,291
Wellington Old	2017/2018	19,964,423	16,442,040
Gouda	2016/2017	4,121,983	3,936,813
Saron	2016/2017	8,520,594	6,402,750
Hermon	2016/2017	11,402,473	6,454,733
Dal Josafat	2018/2019	12,565,835	10,798,343
Orleans	2018/2019	23,205,813	20,475,090
Boy Louw (Zanddrift)	2017/2018	42,617,393	41,333,273
		<b><u>150,715,281</u></b>	<b><u>130,113,333</u></b>

JG Afrika is a consulting engineering and environmental consulting firm appointed to determine a high-level concept-design stage costing-value (amount) to cap and rehabilitate the landfill sites at the end of the current Financial Year (2015/2016). Their Independence from management is monitored. The firm is a member and fully subscribes to the Constitution and Code of Conduct of the Council of Engineers of South Africa.

Based on the work provided by JG Afrika, an applicable inflation rate of 5.5%-6% has been determined and a discounted rate of 6.42% has been utilised.

The funding required by the municipality to fund the rehabilitation has been assessed and based on the cost of, loss of revenue from investments per the rates as disclosed in note 46.6, the municipality assessed the effected of, discounting coupled with the future inflation rate to approximate the current cost of the expected rehabilitation cost as disclosed above.

### 7.2 Provision for long service awards

Provision for Long Service Awards	<u>34,257,000</u>	<u>31,925,000</u>
Less: Transfer to Current Provisions	<u>(3,077,000)</u>	<u>(3,232,000)</u>
<b>Total Non-current Provisions</b>	<b><u>31,180,000</u></b>	<b><u>28,693,000</u></b>

### Long Service Awards

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr. Niel Fourie and Mr. Julian van der Spuy of ZAQEN Actuaries Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 1,632 employees were eligible for Long-services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	Yield curve Difference between nominal and yield curve	Yield curve Difference between nominal and yield curve
CPI (Consumer Price Inflation)	CPI+1%	CPI+1%
Normal Salary Increase Rate	Yield curve based	Yield curve based
Net Effective Discount Rate		

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

The Actuaries used the nominal and real zero curves as at 30 June 2016 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

**The amounts recognised in the Statement of Financial Position are as follows:**

Fair value of plan assets	0	0
Present value of unfunded obligations	34,257,000	31,925,000
<b>Total Benefit Provision</b>	<b>34,257,000</b>	<b>31,925,000</b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	2,341,000	2,272,000
Interest cost	2,916,000	2,445,000
Past service cost	0	0
Actuarial Losses / (gains) recognised	68,124	(685,957)
<b>Total expense included in Employee Related Costs (Note 30)</b>	<b>5,325,124</b>	<b>4,031,043</b>

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	31,925,000	30,522,000
Current service costs	2,341,000	2,272,000
Interest cost	2,916,000	2,445,000
Benefits paid	(2,993,124)	(2,628,043)
Actuarial Losses / (gains) recognised	68,124	(685,957)
<b>Balance at the end of the year</b>	<b>34,257,000</b>	<b>31,925,000</b>

**Balance at the end of the year**

Total Current Provisions at end of the year	3,077,000	3,232,000
Total Non-current Provisions at end of the year	31,180,000	28,693,000
<b>Total Provisions at the end of the year</b>	<b>34,257,000</b>	<b>31,925,000</b>

**Movements in the present value of the Defined Benefit Assets were as follows:**

Balance at the beginning of the year	0	0
Contributions from the employer	2,993,124	2,628,043
Benefits paid	(2,993,124)	(2,628,043)
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>

The effect of a 1% movement in the withdrawal rates are as follows on the ensuing years assumptions:

	1% Decrease	1% Increase
Effect on the defined benefit obligation	31,737,000	37,073,000
Effect on the aggregate of the interest cost	2,245,000	2,692,000
Effect on the aggregate of the current service cost	3,121,000	3,673,000

The effect of a 20% movement in the withdrawal rates are as follows on the ensuing years assumptions:

	-20% Withdrawal rate	+20% Withdrawal rate
Effect on the defined benefit obligation	36,210,000	32,517,000
Effect on the aggregate of the interest cost	2,666,000	2,273,000
Effect on the aggregate of the current service cost	3,586,000	3,200,000

The municipality expects to make a contribution of R 3,077,000 to the defined benefit plan during the next financial year.

### 7.3 Provision for bonuses

Provision for bonuses are reconciled as follows :

**The movement in Provisions are reconciled as follows:**

<b>Provision for bonuses</b>	<b>11,148,734</b>	<b>10,401,538</b>
Balance at beginning of year	903,445	747,196
Net movement		
<b>Balance at the end of the year</b>	<b>12,052,180</b>	<b>11,148,734</b>

**Balance of Current Provisions for Bonuses at beginning of year**

**Balance of Current Provisions for Bonuses at end of year**

Service bonuses are granted to municipal employees as a 13th cheque. An estimate amount for the provision raised is determined according to the amount accruing to employees up to June from their previous bonus payment.

### 7.4 Provision for performance bonuses.

Provision has been made for performance bonuses in accordance with the performance agreements with each Executive Manager and the Municipal Manager using the best estimate of the potential performance bonus payable. The actual bonuses will only be paid once the evaluation committee appointed in terms of the Performance Management regulations has reviewed the performance agreements of the Executive Management team and made a recommendation to the Council for final approval. This process will be performed once the draft annual report for the 2015/16 year has been submitted to Council in January 2017. The performance bonuses has been provided as follows:

<b>Executive Management Team</b>			
Mettler JF (Municipal Manager) Until 31/12/2015	130,271	243,498	
Carstens J (Acting Municipal Manager) From 1/1/2016	0	0	
Carstens J (Chief Financial Officer)	201,226	188,063	
Lategan CE (Acting Chief Financial Officer) From 1/1/2016	0	0	
Boshoff GBF (Executive Manager Social Services)	197,624	184,696	
De Beer AME (Executive Manager Corporate Services)	201,226	188,063	
Louw J (Executive Manager Infrastructure)	197,624	184,695	
Adam AM (Executive Manager Planning and Economic Development) until 31/3/2016	150,618	187,685	
Smit D (Acting Executive Manager Planning and Economic Development) 1/4/2016 - 30/6/2016	0	0	
L Waring (Executive Manager Planning and Economic Development) from 16/6/2016	0	0	
	<b>1,078,589</b>	<b>1,176,700</b>	

The movement in Provisions are reconciled as follows:

**Provision for performance bonuses**

Balance at beginning of year	1,176,700	0
Bonuses paid	(1,110,040)	0
Increase in provision	1,011,933	1,176,700
<b>Balance at the end of the year</b>	<b>1,078,593</b>	<b>1,176,700</b>

**Balance of Current Provisions for performance bonuses at beginning of year**

**Balance of Current Provisions for performance bonuses at end of year**

**1,176,700**

**1,176,700**

**1,078,593**

**1,176,700**

**7.5 Provision for legal fees.**

Provision for legal fees are reconciled as follows:

0 483,613

The movement in Provisions are reconciled as follows:

**Provision for legal fees**

Balance at beginning of year	483,613	0
Increase in Provision		483,613
Settlement of Provision	(392,764)	0
Reversal of Provision	(90,849)	0
<b>Balance at the end of the year</b>	<b>0</b>	<b>483,613</b>
<b>Balance of Current Provisions for legal fees at beginning of year</b>	<b>483,613</b>	<b>0</b>
<b>Balance of Current Provisions for legal fees at end of year</b>	<b>0</b>	<b>483,613</b>

The provision in the prior year related to an application that was lodged to set aside the tender award for the development of the Paarl Waterfront by the Paarl Waterfront Development Company and the Drakenstein Heritage Foundation & Others during November 2013. A provision was made for the estimated legal fees of R483 613. During the year, the claim was settled.

#### 8. CONSUMER DEPOSITS

Electricity and Water

**33,954,766**

**31,172,685**

Guarantees held in lieu of Electricity and Water Deposits

Guarantees held in lieu of Electricity and Water Deposits were R 20,398,134 (2015 : R 16,344,834 )

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

#### 9. Trade and Other Payable Exchange Transactions

Trade Creditors	97,021,398	84,202,923
Staff Leave provision	25,648,330	24,612,103
Payments received in advance	23,650,674	20,600,158
Other creditors	87,775,791	79,654,957
Rental Leases Expenditure : Straight lining	90,814	87,245
VAT on provision for doubtful debt	(10,080,654)	(10,656,308)
<b>Total Creditors</b>	<b>224,106,352</b>	<b>198,501,078</b>

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into

The total liability in respect of leave amounts to R 25,648,330 (2015: R 24,612,103) as at 30 June 2016, the full amount is provided for.

Payables from exchange transactions has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

## 10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

<i>Conditional Grants from other spheres of Government</i>	<b>54,719,216</b>	<b>54,152,291</b>
National Government (Unconditional Grants)	0	0
National Government (Other)	1,095,843	1,624,357
National Government (Conditional Grants)	43,533,960	42,042,582
Provincial Government (Conditional Grants)	7,704,165	7,704,165
Guarantees and Donations (Unconditional)	2,385,248	2,781,187
 Total Conditional Grants and Receipts	<b>54,719,216</b>	<b>54,152,291</b>

These amounts are separately invested in terms of section 12 of the MFMA. Refer note 28 for more detail of grants from National and Provincial Government.

Refer to Appendix "C" for more detail on Conditional Grants.

Unspent Conditional Grants and Receipts has been reclassified, refer to note 40 for more detail information.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation and Impairment	Carrying Value
	R	R	R
<b>Balance as at 30 June 2016</b>			
Land	856,779,761	(2,015,000)	854,764,761
Buildings, structures and facilities	864,494,398	(114,101,271)	750,393,127
Infrastructure	5,588,267,653	(2,708,287,239)	2,879,980,414
Other Assets	267,084,914	(161,187,093)	105,897,821
Capital Spares	5,223,335	0	5,223,335
 <b>Total Property, Plant and Equipment</b>	<b>7,581,850,061</b>	<b>(2,985,590,603)</b>	<b>4,596,259,458</b>
	Cost	Accumulated Depreciation and Impairment	Carrying Value
	R	R	R
 <b>Restated balance as at 30 June 2015</b>			
Land	843,512,911	(2,015,000)	841,497,911
Buildings, structures and facilities	822,339,815	(73,833,072)	748,506,743
Infrastructure	5,325,451,043	(2,594,998,215)	2,730,452,828
Other Assets	256,703,236	(155,545,378)	101,157,858
Capital Spares	7,046,408	0	7,046,408
 <b>Total Property, Plant and Equipment</b>	<b>7,255,053,413</b>	<b>(2,826,391,665)</b>	<b>4,428,661,748</b>

Total Property, Plant and Equipment held by the municipality at 30 June 2016 comprised the amounts analysed as above.

Revaluation of all land & buildings was performed by an accredited valuator Mr. E Marais of Erik Marais and Associates (T/A Rode Valuations Wellington) Reg. No. 1988/011175/23).

## RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings, structures and facilities	Infrastructure	Other Assets	Capital Spares	Total
<b>Carrying values as at 1 July 2015</b>	<b>841,497,911</b>	<b>748,506,743</b>	<b>2,730,452,828</b>	<b>101,157,858</b>	<b>7,046,408</b>	<b>4,428,661,750</b>
Cost and revaluation	843,512,911	822,339,815	5,325,451,043	256,703,236	7,046,408	7,255,053,414
Accumulated depreciation	(2,015,000)	(73,833,072)	(2,594,998,215)	(155,545,378)	0	(2,826,391,664)
Acquisitions	15,196,700	40,685,702	77,403,937	20,772,416	0	154,058,755
Adjustments / WIP	0	3,942,531	188,519,180	0	(1,823,073)	190,638,638
Transfer from IP	25,000	0	0	0	0	25,000
Depreciation	0	(40,487,767)	(115,802,428)	(14,244,741)	0	(170,534,936)
Impairment	0	0	0	0	0	0
Carrying value of disposals	(1,954,850)	(2,254,082)	(593,103)	(1,787,712)	0	(6,589,747)
Cost	(1,954,850)	(2,473,650)	(3,106,507)	(10,390,738)	0	(17,925,745)
Accumulated Depreciation	0	219,568	2,513,404	8,603,026	0	11,335,998
 <b>Carrying Values at 30 June 2016</b>	<b>854,764,761</b>	<b>750,393,127</b>	<b>2,879,980,414</b>	<b>105,897,821</b>	<b>5,223,335</b>	<b>4,596,259,458</b>
Cost and revaluation	856,779,761	864,494,398	5,588,267,653	267,084,914	5,223,335	7,581,850,061
Accumulated depreciation & Impairment	(2,015,000)	(114,101,271)	(2,708,287,239)	(161,187,093)	0	(2,985,590,603)

	Land	Buildings, structures and facilities	Infrastructure	Other Assets	Capital Spares	Total
<b>Restated carrying values as at 1 July 2014</b>	<b>844,202,411</b>	<b>768,724,382</b>	<b>2,666,761,904</b>	<b>92,763,552</b>	<b>7,838,914</b>	<b>4,380,291,163</b>
Cost and revaluation	844,202,411	805,380,628	5,151,946,909	238,447,199	7,838,914	7,047,816,061
Accumulated depreciation	0	(36,656,246)	(2,485,185,005)	(145,683,647)	0	(2,667,524,898)
Acquisitions	0	17,312,446	66,475,277	21,609,605	0	105,397,328
Adjustments / WIP	0	353,241	107,028,857	0	(792,506)	106,589,592
Depreciation	0	(37,193,695)	(109,813,210)	(13,187,358)	0	(160,194,263)
Depreciation adjustments	0	0	0	0	0	0
Impairment	(2,015,000)	0	0	0	0	(2,015,000)
Carrying value of disposals	(689,500)	(689,631)	0	(27,941)	0	(1,407,072)
Cost	(689,500)	(706,500)	0	(3,353,568)	0	(4,749,568)
Accumulated Depreciation	0	16,869	0	3,325,627	0	3,342,496
<b>Restated carrying values at 30 June 2015</b>	<b>841,497,911</b>	<b>748,506,743</b>	<b>2,730,452,828</b>	<b>101,157,858</b>	<b>7,046,408</b>	<b>4,428,661,749</b>
Cost and revaluation	843,512,911	822,339,815	5,325,451,043	256,703,236	7,046,408	7,255,053,414
Accumulated depreciation & Impairment	(2,015,000)	(73,833,072)	(2,594,998,215)	(155,545,378)	0	(2,826,391,664)

#### 11.1 Land and Buildings carried at Fair Value:

Land and Buildings were revalued to fair value during the 2013/14 financial period. The effective date of revaluation was 30 June 2014 and the valuation was performed by registered and independent valuers.

#### 11.2 Assets pledged as security:

No assets have been pledged as security.

#### 11.3 Impairment of Property, Plant and Equipment:

The municipality tested its items of Property, Plant and Equipment, Intangible assets, Investment property and Heritage assets for any potential impairment losses on assets.

No impairment losses were recognised during the year (2015: R2,015,000).

Infrastructure Assets	0	0	0
Land	0	2,015,000	0
<b>Total Impairments recognised</b>	<b>0</b>	<b>2,015,000</b>	<b>0</b>

No impairments were reversed in the current year, furthermore no impairment losses were recognised on revalued assets directly in the Statement of Net assets.

#### 12. INTANGIBLE ASSETS

Cost R	Accumulated Amortisation R	Carrying Value R
18,151,093	(11,465,616)	6,685,477
15,343,892	(9,807,348)	5,536,544
1,952,125	(1,262,159)	689,966
855,076	(396,109)	458,967
<b>18,416,936</b>	<b>(9,220,576)</b>	<b>9,196,360</b>
15,609,735	(7,991,121)	7,618,614
1,952,125	(976,391)	975,734
855,076	(253,063)	602,013

The movement in Intangible assets are reconciled as follows:

	2016	2015
Carrying value at the beginning of the year	9,196,360	10,037,622
Cost	18,416,936	15,892,685
Accumulated amortisation	(9,220,576)	(5,855,063)
Additions resulting from acquisitions	0	2,524,251
Amortisation	(2,490,909)	(3,365,513)
Carrying value of disposal (de-recognition)	(19,974)	0
Cost	(265,842)	0
Accumulated Surplus	245,868	0
Carrying value at the end of the year	6,685,477	9,196,360
Cost	18,151,094	18,416,936
Accumulated amortisation	(11,465,617)	(9,220,576)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

The amortisation method and useful life of Intangible assets is set out in the accounting policy note of Intangible assets.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

### 13. INVESTMENT PROPERTY

Land and Buildings	57,430,000	54,905,000
	<u>57,430,000</u>	<u>54,905,000</u>

The fair model is applied to Investment property.

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of Investment property.

The movement in Investment properties are reconciled as follows:

Carrying value at the beginning of the year	54,905,000	52,430,331
Fair value	54,905,000	52,430,331
Plus : Additions resulting from transfers from Property Plant & Equipment	0	0
Fair value adjustment gain	2,550,000	2,474,669
Minus: Transfers resulting from Investment property to PPE	(25,000)	0
Disposal of Investment property	0	0
Carrying value at the end of the year	57,430,000	54,905,000
Fair value	57,430,000	54,905,000

#### Method of Asset Valuation 2015/16

The date of fair value assessment was on 30 June 2016.

Each property was identified and inspected and fair value adjusted. Each of the three main methods (investment approach, direct comparison and cost) of valuing property was adopted depending on the specific property.

A register containing the information required by section 63 of the Municipal Management Finance Act is available for inspection at the registered offices of the municipality.

Revaluation of all Investment Property was performed by an accredited valuator Mr. E Marais of Erik Marais and Associates (T/A Rode Valuations Wellington) Reg. No. 1988/011175/23).

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	577,419	664,241
Direct Operating Expenses - incurred to generate rental revenue	0	0
Direct Operating Expenses - incurred which did not generate rental revenue	0	0

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

### 14. HERITAGE ASSETS

At Revaluation amount	26,842,000	26,842,000
At Cost less Accumulated Impairment Losses	700,700	700,700
	<u>27,542,700</u>	<u>27,542,700</u>

The movement in Heritage Assets is reconciled as follows:

	Historical and Natural Significant Land, Buildings and Structures	Works of Art, Regalia and Collections	Total
Carrying values at 30 June 2015	26,842,000	700,700	27,542,700
Cost	0	700,700	700,700
Accumulated Revaluation	26,842,000	0	26,842,000
Accumulated Impairment	0	0	0
Carrying values at 30 June 2016	26,842,000	700,700	27,542,700
Cost	0	700,700	700,700
Accumulated Revaluation	26,842,000	0	26,842,000
Accumulated Impairment Losses	0	0	0

	Historical and Natural Significant Land, Buildings and Structures	Works of Art, Regalia and Collections	Total
<b>Restated carrying values at 1 July 2014</b>	<b>26,842,000</b>	<b>700,700</b>	<b>27,542,700</b>
Cost	0	700,700	700,700
Accumulated Revaluation	26,842,000	0	26,842,000
Accumulated Impairment	0	0	0
<b>Restated carrying values at 30 June 2015</b>	<b>26,842,000</b>	<b>700,700</b>	<b>27,542,700</b>
Cost	0	700,700	700,700
Accumulated Revaluation	26,842,000	0	26,842,000
Accumulated Impairment Losses	0	0	0

Included in the historical and naturally significant land and building above is amongst others the Paarl Mountain (Paarlberg) and the Paarl Arboretum. Paarl Mountain is particularly known for its mountain or "Paarl Rock". The huge granite rock is formed by three rounded outcrops that make up Paarl Mountain and is the second largest granite outcrop in the world and forms part of the Nature Reserve. The site is a Provincial Heritage Site (SAHRA Nr 9/2/069/0028).

The Paarl Arboretum is situated on the eastern bank of the Berg River, is 2.8 km long and occupies approximately 31 ha. Divided into 6 "continents" a unique feature is that trees and shrubs are grouped according to continents of origin. In excess of 2 600 trees and shrubs, entering some 650 different species can be observed.

The following buildings owned by the Municipality, declared Provincial Heritage sites, have been classified as Heritage assets:

De Oude Woning, 214 Main Street, Paarl (SAHRA Nr 9/2/069/0105) dating from the late 1780's.

The Old Dutch Reformed Church Parsonage (now the Paarl Museum), Van der Lingen plein, Paarl (SAHRA Nr 9/2/069/0071). The Parsonage was built in 1787.

Ouma Granny's House, 37 Fontein Street, Wellington (SAHRA Nr 9/2/106/0012), dating to the Victorian era.

Coronation Arch, Victoria Jubilee Park, Church Street, Wellington (SAHRA Nr 9/2/106/0019/1), dating to 1902.

The municipality had taken advantage of the transitional provisions in Directive 3 from the Accounting Standards Board with the implementation of GRAP 103. The municipality identified all Heritage Assets and, as cost information was not available, fair values were determined by appraisal.

Heritage Assets have been restated to correctly classify amounts held for Heritage Assets in terms of GRAP 103, not previously recognised, or previously included in Property, Plant and Equipment. Refer to Note 40 on "Change in Accounting Policy" for details of the restatement.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

## 15. NON-CURRENT INVESTMENTS

<b>Listed</b>			
Eskom stock at fair value		136,462	141,695
SANLAM shares		257,013	288,267
<b>Total listed investments</b>		<b>393,475</b>	<b>429,962</b>

<b>Unlisted</b>			
Bank Deposits			
Other Short-term Deposits		319,390,807	225,836,026
<b>Total unlisted investments</b>		<b>319,390,807</b>	<b>225,836,026</b>

The fair value of the listed investments is estimated at R 393,475 (2015: R 429,962). Fair value of Eskom stock is determined based on discounted cash flow analysis, at a discounted rate of 8.7250%, (2015 : 8.3550%). SANLAM shares are based on open market value of the shares at year end.

<b>Total</b>	319,784,282	226,265,988
Less: current portion maturing within next twelve months - refer note 21	(319,390,807)	(225,836,026)
<b>Total (non-current)</b>	<b>393,475</b>	<b>429,962</b>

Listed Shares are investments with a maturity period of more than 12 months and earn fixed interest rates of 13.5% per annum.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Non-current investments has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

**16. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

**As at 30 June 2016**

Public organisations  
Housing selling scheme loans

Gross Balances R	Impairment Provision R	Net Balances R
77,834	0	77,834
3,175,550	(111,266)	3,064,284
<b>3,253,383</b>	<b>(111,266)</b>	<b>3,142,118</b>

Less: Current Portion transferred to Current Receivables:-

Public organisations  
Housing selling scheme loans

349,909	0	349,909
		<b>2,792,209</b>

**Total Receivables from Exchange Transactions**

**As at 30 June 2015**

Public organisations  
Housing selling scheme loans

R	R	R
77,834	0	77,834
3,643,389	(80,437)	3,562,952
<b>3,721,223</b>	<b>(80,437)</b>	<b>3,640,786</b>

Less: Current Portion transferred to Current Receivables:-

Public organisations  
Housing selling scheme loans

326,946	0	326,946
		<b>3,313,840</b>

**Total Receivables from Exchange Transactions**

**Public Organisations**

Loans to public organisations are granted in terms of the National Housing Policy. The applicable interest rate and loan repayment periods are determined by the National Minister of Housing. At present these loans attract interest at 1% (buildings) and 11% (infrastructure) and are repayable over 30 years.

**Housing selling scheme loans**

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest, as determined by the National Minister of Housing, currently 13,5% per annum and are repayable over 20 years.

**16.1 Reconciliation of the Provision for Impairment**

Balance at beginning of year	80,437	2,836,381
Net movement	30,829	(2,755,944)
<b>Balance at end of year</b>	<b>111,266</b>	<b>80,437</b>

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

**17. INVENTORY**

Consumable stores	4,005,204	3,489,593
Maintenance materials	18,595,139	20,715,521
Water	1,909,075	1,806,007
Spare parts for Plant & Equipment	139,794	175,781
Plants held for resale	330,593	224,796
Inventory BNG Houses	0	6,079,862
Less: Inventory held as spare parts for infrastructure assets	(5,223,334)	(7,046,408)
<b>Total Inventory</b>	<b>19,756,470</b>	<b>25,445,151</b>

No inventories were pledged as security for liabilities.

During the year inventory to the amount of R 54,497 (2015: R 164,821) was written off due to discrepancies identified during the annual stock count.

Inventories of R 5,223,335 (2015: R 7,046,408) are held as major spare parts for infrastructure assets and has been transferred to Property, Plant and Equipment.

At year end there were no BNG houses completed or still in process of construction. Although these houses are entirely funded by the National Department of Human Settlements, through the Western Cape Department of Human Settlements, the Municipality is regarded as a principal in terms of the current GRAP interpretation and is therefore obliged to disclose any BNG in the process of construction as well as completed houses still under the control of the Municipality as inventory up to the point of hand over to the allocated beneficiary where after the cost is expensed through the Statement of Financial Performance.

Inventory has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

**18. VAT**

VAT Receivable	16,933,669	14,850,590
VAT Payable (Control)	(46,662)	0
<b>Total VAT</b>	<b>16,887,007</b>	<b>14,850,590</b>

Net VAT receivable. Only once payment is received from debtors is VAT paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to the VAT Act. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

VAT has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

**19. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Consumer Debtors from exchange transactions	189,080,367	165,177,171
Other Debtors from exchange transactions	13,902,530	6,392,200
<b>Total Receivables from Exchange Transactions</b>	<b>202,982,897</b>	<b>171,569,371</b>

**19.1 Consumer Debtors from exchange transactions**

As at 30 June 2016

	Gross Balances	Provision for Impairment	Net Balance
Service debtors	275,940,862	(89,250,142)	186,690,718
Trade: Electricity	133,060,723	(15,009,280)	118,051,443
Water	73,397,017	(26,915,867)	46,481,150
Waste Management (solid waste)	44,165,879	(30,794,941)	13,370,939
Waste Water Management (sewerage and sanitation)	25,317,242	(16,530,055)	8,787,187
Housing Rental Schemes	8,838,730	(6,793,670)	2,045,060.15
Housing Selling Schemes	948,650	(604,061)	344,588.83
<b>Total</b>	<b>285,728,242</b>	<b>(96,647,873)</b>	<b>189,080,367</b>

As at 30 June 2015

	Gross Balances	Provision for Impairment	Net Balance
Service debtors	258,090,539	(94,948,208)	163,142,331
Trade: Electricity	116,427,335	(13,998,049)	102,429,286
Water	68,323,047	(27,251,803)	41,071,244
Waste Management (solid waste)	47,510,230	(35,671,629)	11,838,601
Waste Water Management (sewerage and sanitation)	25,829,927	(18,026,727)	7,803,200
Housing Rental Schemes	9,749,934	(8,060,538)	1,689,396
Housing Selling Schemes	952,930	(807,486)	345,444
<b>Total</b>	<b>268,793,403</b>	<b>(103,616,232)</b>	<b>165,177,171</b>

The average credit period for Consumer Debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter penalties of 10% and interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The average age of these receivables is 54 days (2015: 56 days).

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors.

As at 30 June 2016	Analysis of Consumer Debtors Age In Days					
	Not due		Past due			
	Current	Current Impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
Electricity	105,549,640	R 3,380,153	R 3,624,890	R 1,232,006	R 2,206,265	R 718,017
Water	21,452,161	R 1,410,978	R 4,512,923	R 531,081	R 3,845,806	R 454,514
Waste Management	4,908,709	R 296,150	R 1,782,881	R 223,960	R 1,527,573	R 176,585
Waste Water Management	4,239,060	R 225,409	R 1,110,698	R 180,654	R 877,640	R 120,571
Housing Rental Schemes	316,252	R 11,745	R 301,566	R 5,931	R 301,777	R 4,113
Housing Selling Schemes	43,790	R 664	R 34,531	R 557	R 31,169	R 553
<b>Total</b>	<b>136,509,611</b>	<b>R 5,325,099</b>	<b>R 11,367,489</b>	<b>R 2,154,190</b>	<b>R 8,790,232</b>	<b>R 1,474,352</b>

As at 30 June 2016	Analysis of Consumer Debtors Age in Days					
	Past due		91 - 120+ impaired		Total	Total Impaired
	91 - 120+	Impaired	R	R	R	R
Electricity	R 21,679,928	R 9,679,104	R 133,060,723	R 15,009,280	R 15,881,956	R 26,439,968
Water	R 43,586,127	R 24,519,294	R 73,397,017	R 26,915,867	R 8,758,379	R 4,773,537
Waste Management	R 35,946,717	R 30,098,245	R 44,165,879	R 30,794,941	R 1,677,072	R 73,528
Waste Water Management	R 19,089,844	R 16,023,420	R 25,317,242	R 16,530,055	R 348,982	R 10,373
Housing Rental Schemes	R 7,919,134	R 6,771,882	R 8,838,730	R 6,793,670	R 301,464	R 833
Housing Selling Schemes	R 839,161	R 602,287	R 948,650	R 604,061	R 29,190	R 1,474,352
<b>Total</b>	<b>R 129,060,910</b>	<b>R 87,694,232</b>	<b>R 285,728,242</b>	<b>R 96,647,873</b>	<b>R 57,895,856</b>	

As at 30 June 2015	Analysis of Consumer Debtors Age in Days					
	Not due		Past due			
	Current	Current Impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
Electricity	R 90,725,251	R 1,266,307	R 4,783,221	R 793,622	R 2,151,813	R 624,370
Water	R 17,426,313	R 399,966	R 4,337,571	R 427,548	R 3,409,920	R 435,616
Waste Management	R 4,800,927	R 190,724	R 1,923,275	R 96,462	R 1,677,072	R 114,453
Waste Water Management	R 3,841,638	R 110,148	R 1,171,268	R 66,053	R 904,031	R 73,528
Housing Rental Schemes	R 364,357	R 5,898	R 323,484	R 5,226	R 348,982	R 10,373
Housing Selling Schemes	R 46,059	R 1,420	R 33,468	R 470	R 29,190	R 833
<b>Total</b>	<b>R 117,204,546</b>	<b>R 1,974,463</b>	<b>R 12,572,287</b>	<b>R 1,389,380</b>	<b>R 8,521,009</b>	<b>R 1,259,172</b>

As at 30 June 2015	Past due					
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired	
R	R	R	R	R	R	
Electricity	18,767,050	11,313,750	116,427,335	13,998,049	12,970,342	
Water	43,149,243	25,988,673	68,323,047	27,251,803	24,044,897	
Waste Management	39,108,956	35,269,990	47,510,230	35,671,629	7,228,398	
Waste Water Management	19,912,989	17,776,998	25,829,927	18,026,727	4,071,709	
Housing Rental Schemes	8,713,110	8,039,042	9,749,934	8,060,538	1,330,937	
Housing Selling Schemes	844,213	604,763	952,930	607,486	300,805	
<b>Total</b>	<b>130,495,561</b>	<b>98,993,217</b>	<b>268,793,403</b>	<b>103,616,232</b>	<b>49,947,088</b>	

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Included in the Allowance for Doubtful Debts are individually impaired Consumer Debtors with a balance of R 6,192,486 (2015: R 4,608,503) which have been placed under liquidation. The Impairment recognised represents the difference between the carrying amount of these Consumer Debtors and the present value of the expected liquidation proceeds. The municipality holds no collateral over these balances.

#### 19.2 Other Debtors from exchange transactions

Sundries	20,526,966	11,821,360
Sporting bodies	66	121
Recoverable Loans	619,126	599,166
Less : Provision for Impairment	(7,243,628)	(6,028,448)
<b>Total Other Debtors from exchange transactions</b>	<b>13,902,530</b>	<b>5,392,200</b>

#### Reconciliation of Impairment provision

Balance at beginning of the year	6,028,448	5,228,283
Net movement	1,215,180	800,165
<b>Balance at year end</b>	<b>7,243,628</b>	<b>5,028,448</b>

Trade and other receivables from exchange transaction have been restated according to GRAP 3. Refer to note 40 for more

#### 20. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Consumer Debtors from non-exchange transactions	32,381,817	30,344,037
Other Debtors from non-exchange transactions	35,219,436	35,603,139
<b>Total Receivables from Non-exchange Transactions</b>	<b>67,601,253</b>	<b>65,947,176</b>

#### 20.1 Consumer Debtors from non-exchange transactions

Gross Balances	Provision for Impairment	Net Balance
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##### As at 30 June 2016

Service debtors	38,272,929	(9,945,040)	28,327,890
Rates	38,272,929	(9,945,040)	28,327,890
Fines	113,682,297	(109,628,370)	4,053,927
<b>Total</b>	<b>151,955,226</b>	<b>(119,573,409)</b>	<b>32,381,817</b>

Gross Balances	Provision for Impairment	Net Balance
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##### As at 30 June 2015

Service debtors	38,075,278	(11,487,350)	26,587,928
Rates	38,075,278	(11,487,350)	26,587,928
Fines	85,025,122	(81,269,014)	3,756,108
<b>Total</b>	<b>123,100,401</b>	<b>(92,756,364)</b>	<b>30,344,037</b>

#### Analysis of Consumer Debtors Age in Days

As at 30 June 2016	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
R	R	R	R	R	R	R
Rates	12,182,774	796,883	1,817,619	458,317	1,146,204	256,345
Fines	6,292,610	5,223,662	5,873,546	4,870,811	5,241,463	4,278,772
<b>Total</b>	<b>18,475,384</b>	<b>6,020,545</b>	<b>7,691,165</b>	<b>5,329,128</b>	<b>6,387,667</b>	<b>4,535,117</b>

	Past due		Total - Past due but not impaired			
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total	Total impaired
R	R	R	R	R	R	R
Rates	22,928,680	8,433,495	38,075,278	9,945,040	16,744,347	2,960,707
Fines	96,274,679	95,255,124	113,682,297	109,628,370		
<b>Total</b>	<b>119,203,359</b>	<b>103,688,619</b>	<b>151,757,575</b>	<b>119,573,409</b>	<b>19,705,054</b>	

As at 30 June 2015	Analysis of Consumer Debtors Age in Days					
	Not due		Past due			
	Current	Current Impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
Rates	R 12,182,774	538,588	R 1,817,619	289,254	R 1,146,204	267,165
Fines	4,749,454	3,954,052	3,691,832	3,015,202	2,148,473	1,720,073
Total	<u>16,932,228</u>	<u>4,492,640</u>	<u>5,509,451</u>	<u>3,304,456</u>	<u>3,294,677</u>	<u>1,987,238</u>
	Past due					
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired	
Rates	R 22,928,680	10,392,343	R 38,075,278	11,487,350	14,943,742	
Fines	74,435,364	72,579,687	85,025,123	81,269,014	2,960,707	
Total	<u>97,364,044</u>	<u>82,972,030</u>	<u>123,100,401</u>	<u>92,756,364</u>	<u>17,904,449</u>	
<b>Reconciliation of Impairment provision</b>						
<b>Rates receivable</b>						
Balance at beginning of the year					11,487,350	12,022,219
Net movement					(1,542,310)	(534,869)
<b>Balance at year end</b>					<u>9,945,040</u>	<u>11,487,350</u>
<b>Reconciliation of Impairment provision</b>						
<b>Fines receivables</b>						
Balance at beginning of the year					81,269,014	43,484,006
Contributions to Provision for doubtful debt					43,777,486	41,275,373
Impairment of receivables					(15,418,130)	(3,490,365)
<b>Balance at year end</b>					<u>109,628,370</u>	<u>81,269,014</u>
<b>20.2 Other debtors from non-exchange transactions</b>						
Grants & Subsidies					26,347,625	24,806,353
Recoverable Debtors					8,835,730	10,750,803
Fruitless and wasteful expenditure					14,475	14,475
Rental Leases : Straight lining					21,606	31,508
<b>Total Other Debtors from non-exchange transactions</b>					<u>35,219,436</u>	<u>35,603,139</u>

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The claims instituted against the municipality's insurance company are supported by valid Insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for Other Debtors is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Other Debtors.

The management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

The fair value of Other Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

The impairment provision was calculated after individually assessing other debtors and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on other debtors exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

<b>Reconciliation of Impairment provision</b>			
<b>Service debtors, rates debtors, other debtors and long-term receivables</b>			
Balance at beginning of the year		121,212,468	134,598,292
Contributions to Provision for doubtful debt		39,972,658	30,372,317
Impairment of receivables		(47,348,583)	(43,758,141)
<b>Balance at 30 June 2016</b>		<u>113,836,542</u>	<u>121,212,468</u>

Receivables from non-exchange transaction have been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

## 21. CASH AND CASH EQUIVALENTS

The Municipality has the following bank accounts: -

Primary Account	14-9812-1861	30,228,477	53,177,388
Secondary Account	14-9812-1853	0	0
Traffic Fines Bank account	620-715-265-14	1,845	1,981
Traffic Nedbank account	105-520-20-56	0	0
		<b>30,230,322</b>	<b>53,179,369</b>

All accounts are with Nedbank except the traffic fines account which is with First National Bank. All account balances are cleared on a daily basis to the main account. The municipality has an overdraft facility of R5 million with Nedbank, but did not

Bank statement balance at beginning of year	53,179,369	36,326,951
Bank statement balance at end of year	<b>30,230,322</b>	<b>53,179,369</b>
Cash book balance at beginning of year	<b>33,677,939</b>	<b>23,811,248</b>

Petty Cash / Float	11,700	11,700
Cash at bank	30,230,322	53,179,369
Net movement	(24,927,769)	(19,501,430)
Cash book balance at end of year	<b>5,302,553</b>	<b>33,677,939</b>

Short term investment deposits.	319,390,807	225,836,026
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>324,705,060</b>	<b>259,525,665</b>

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments less than 12 months.

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

INSTITUTION	ACCOUNT NUMBER	ACCOUNT TYPE	2016	2015
ABSA	92-9096-7912	CALL ACCOUNT	15,758,135	22,562,351
ABSA	92-9214-9948	CALL ACCOUNT	15,659,396	22,469,658
ABSA	92-9216-2871	CALL ACCOUNT	16,339,661	10,556,500
ABSA	92-9735-7532	CALL ACCOUNT	16,440,708	10,651,361
ABSA	92-9739-3681	CALL ACCOUNT	16,448,311	10,658,498
			<b>80,646,211</b>	<b>76,898,368</b>
FIRST NATIONAL BANK	745-3290-4361	CALL ACCOUNT	41,368,045	0
FIRST NATIONAL BANK	746-0831-5640	CALL ACCOUNT	20,274,444	0
			<b>61,642,489</b>	<b>0</b>
NEDBANK	03-7881536373-052	CALL ACCOUNT	13,880,495	1,845,636
NEDBANK	03-7881536373-192	CALL ACCOUNT	0	20,000,000
NEDBANK	03-7881536373-193	CALL ACCOUNT	0	77,500,000
			<b>13,880,495</b>	<b>99,345,636</b>
STANDARD BANK	07 875 830 0 - 035	CALL ACCOUNT	125,820,350	0
STANDARD BANK	07 875 830 0 - 036	CALL ACCOUNT	35,657,432	0
STANDARD BANK	07 875 830 0 - 039	CALL ACCOUNT	746,258	4,592,021
STANDARD BANK	07 875 830 0 - 041	DEPOSIT	0	20,000,000
STANDARD BANK	07 875 830 0 - 042	DEPOSIT	0	25,000,000
STANDARD BANK	07 875 830 0 - 043	CALL ACCOUNT	997,573	0
			<b>163,221,613</b>	<b>49,592,021</b>
<b>TOTAL INVESTMENTS</b>			<b>319,390,808</b>	<b>225,836,025</b>

Cash and cash equivalents has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

## FINANCING FACILITIES

Unsecured Bank overdraft .	0	0
- Amount used	5,000,000	5,000,000
- Amount unused	<b>5,000,000</b>	<b>5,000,000</b>

**22. PROPERTY RATES**

<b>Actual</b>		
Residential	172,987,848	157,391,472
Agricultural	41,155,023	44,946,205
Commercial	67,352,386	58,030,408
State	26,723,047	26,161,821
Less : Income forgone rates	(98,633,457)	(92,681,112)
<b>Total Property Rates</b>	<b>209,584,847</b>	<b>193,848,794</b>

**Valuations as at July 2013**

Residential	27,475,301,504	26,536,569,404
Agricultural	6,527,703,565	7,492,599,565
Commercial	6,954,019,795	5,955,883,795
State	1,752,294,100	1,764,727,100
<b>Total Property Valuations</b>	<b>42,709,318,964</b>	<b>41,749,779,864</b>

General Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A uniform rate for the same class and type of property was applied with the implementation of the Property Rates Act. A rate on different categories was applied to property valuations to determine assessment rates. Rebates of 50% are applied to pensioners. A discount of 20% was granted to the state institutions.

Rates are levied monthly on property owners and are payable the 15th of each month for monthly rate payers of Drakenstein areas and 30th September for annual payers. Interest is levied at the prime rate on outstanding rates amounts.

**23. SERVICE CHARGES**

Sale of Electricity	908,325,462	814,983,274
Sale of Water	180,502,884	172,484,087
Waste Management (solid waste)	101,344,043	93,656,407
Waste Water Management (sewerage and sanitation)	79,093,335	69,287,115
	<b>1,269,265,724</b>	<b>1,150,410,882</b>
Less: Income forgone	(96,845,000)	(79,095,113)
<b>Total Service Charges</b>	<b>1,172,420,724</b>	<b>1,071,315,770</b>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Service charges has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

**24. SALE OF GOODS AND RENDERING OF SERVICES**

Building Plan Approval	5,304,398	5,975,132
Building Plan Clause Levy	765,987	103,307
Camping Fees	1,651,381	1,281,906
Cemetery and Burial	2,317,541	2,329,155
Cleaning and Removal	402,531	881,973
Computer Services	13,772	273
Entrance Fees	575,620	632,426
Fire Services	4,221	295,168
Legal Fees	2,169	53,822
Membership Fees	13,883	12,230
Photocopies and Faxes	113,921	106,929
Sale of Goods	10,935	12,504
Scrap, Waste & Other Goods	2,348,157	241,281
Streets/Street Markets (Informal Traders)	0	37,039
	<b>13,524,518</b>	<b>11,963,146</b>

Sale and rendering of services has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

**25. RENTAL FROM FIXED ASSETS**

Operating Lease Rental Revenue:		
Investment Property	1,259,776	1,177,824
Housing Rental	23,111,930	9,057,571
Other Rental Revenue	97,231	207,014
<b>Total Rentals</b>	<b>24,468,938</b>	<b>10,442,409</b>

Rental from Fixed Assets have been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

**26. FINANCE INCOME AND DIVIDENDS**

Interest - external investments	19,254,821	13,760,579
Dividends - stock	15,120	15,120
Interest - outstanding debtors	11,144,087	13,706,294
<b>Total Interest Receivable</b>	<b>30,414,008</b>	<b>27,481,993</b>

Finance income and dividends has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

**27 FINES, PENALTIES AND FORFEITS**

Fines	2,000	102,094
Building	36,467	46,502
Illegal Connections - Electricity	12,766	152,550
Overdue Books Fine	0	3,244
Pound Fees	52,664,979	49,419,163
Traffic	52,716,212	49,723,553

**28. TRANSFERS AND SUBSIDIES**

Grants from Operational	146,179,556	144,212,087
Grants from Capital	83,749,029	73,597,848
	229,928,585	217,809,936

<u>Unconditional grants</u>	96,845,000	85,321,000
Equitable Share	0	125,950
Other	96,845,000	85,446,950
Operational grants		

<u>Conditional grants</u>	133,083,585	132,362,986
National Government	40,844,514	45,193,591
Provincial Government	92,239,071	87,169,395
	(25,258,419)	(22,388,982)

<b>Offsetting of Housing Expenditure where Municipality is seen as an agent</b>		
<b>Total Government Grant and Subsidies</b>	<b>204,670,166</b>	<b>195,420,954</b>

**28.1 National Government (Unconditional Grants)**

Balance unspent at	0	0
Current year receipts	(96,845,000)	(85,321,000)
Conditions met - transferred to revenue	96,845,000	85,321,000
Conditions still to be met - transferred to liabilities (refer note	0	0

In terms of the Constitution, this grant is used to subsidies the provision of basic services to indigent community members. All registered indigents receive a 100% monthly subsidy for the basic charges of Electricity, Refuse Removal, Sewerage and Water Services, the subsidy is adjusted as tariffs increase. All residential households receive 10 kl water free every month. Indigent households receive 100 kWh electricity free every month.

**28.2 National Government (Conditional Grants)**

Balance unspent at beginning of year	(1,624,357)	(8,323,399)
Current year receipts	(40,716,000)	(39,659,928)
Conditions met - transferred to revenue	40,844,514	45,193,591
Conditions met - repayment of other grants (Funds withheld)	400,000	1,165,379
Conditions still to be met - transferred to liabilities (refer note 10)	(1,095,843)	(1,624,357)

This grant was used to construct infrastructure assets for the Municipality. Other than the unspent amount, the conditions of the grant have been met.

This grant received from National Government are for operational and capital expenditure projects related to budget reform and implementation of the MFMA . Other than the unspent amount, the conditions of the grant have been met.

**28.3 Provincial Government (Conditional Grants)**

Balance unspent at beginning of year	(42,042,582)	(23,663,143)
Current year receipts	(93,730,449)	(105,548,834)
Conditions met - transferred to revenue	92,239,071	87,169,395
Conditions still to be met - transferred to liabilities (refer note 10)	(43,533,960)	(42,042,582)

These grants received from Provincial Government are for operational and capital expenditure such as the unspent amount, the conditions of the grant have been met.

Revenue from Housing Grants and the related Housing expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounted to R 25,258,423 (2015 R 22,388,982). In terms of a GRAP interpretation, where a municipality is regarded as an agent, the revenue should be set off against the expenditure.

**28.4 Other Grants**

Balance unspent at beginning of year	(7,704,165)	(4,092,460)
Current year receipts	0	(3,737,656)
Conditions met - transferred to revenue	0	125,950
Conditions still to be met - transferred to liabilities (refer note 10)	(7,704,165)	(7,704,165)

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

**28.5 Guarantees and Donations**

Balance unspent at beginning of year	(2,781,186)	(2,616,615)
Current year receipts	(302,947)	(460,049)
Conditions met - transferred to revenue	698,886	295,478
Conditions still to be met - transferred to liabilities (refer note 10)	(2,385,247)	(2,781,186)

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

**29. OPERATIONAL REVENUE**

<i>Revenue from exchange transactions</i>		
Administrative Handling Fees	3,739,359	4,493,571
Commission	233,929	290,375
Incidental Cash Surpluses	0	11,694
Request for Information	3,129	7,311
Insurance Refund	5,046	1,734,689
Merchandising, Jobbing and Contracts	427,889	0
Bursary Refund	1,285	0
Recovery Infrastructure Maintenance	0	472,302
	<b>4,410,635</b>	<b>7,009,942</b>
<i>Revenue from non-exchange transactions</i>		
Goods and services received in kind	717,800	782,758
	<b>717,800</b>	<b>782,758</b>

**Services received in kind**

During the financial year, the municipality received the following services in kind, that was recognised in terms of GRAP 23.

The Western Cape Department of Cultural affairs and Sport, pays for the internet access for libraries within Drakenstein Municipality with an annual cost of R562,800.

Operational revenue has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

**30. EMPLOYEE RELATED COSTS**

<b>Salaries and Wages</b>	<b>294,661,989</b>	<b>277,177,257</b>
Salaries	294,661,989	277,177,257
<b>Other Allowances and contributions</b>	<b>122,046,004</b>	<b>113,442,563</b>
Social contributions - UIF, pensions and medical aid etc.	65,871,872	61,641,526
Travel, motor car, accommodation, subsistence and other allowances	10,843,497	9,321,565
Housing benefits and allowances	5,547,656	2,087,835
Housing Allowance	0	17,370
Overtime payments	22,161,059	21,064,948
Severance package	0	570,706
Acting Allowance	888,838	660,252
Shift Allowance	1,612,179	1,522,610
Standby Allowance	7,775,729	5,338,115
Night Shift Allowance	1,919,623	1,839,866
Cell Allowance	798,306	589,224
Fire Sunday and Public Holiday Allowance	0	311,252
Workman Compensation	1,873,340	3,480,386
Contribution to leave reserve	2,753,905	4,996,908
Provision for performance bonuses	1,011,933	1,176,697
<b>Defined Benefit Plan Expense: Post Employment Health Care Benefits</b>	<b>6,016,127</b>	<b>17,453,348</b>
Current Service Cost	2,923,000	2,976,000
Loss on actuarial valuations	0	4,124,348
(Gains) on actuarial valuations	(8,406,873)	0
Interest Cost	11,500,000	10,353,000
<b>Defined Benefit Plan Expense: Ex Gratia Pension Benefits</b>	<b>(363,900)</b>	<b>(583,033)</b>
Current Service Cost	0	0
Loss on actuarial valuations	0	0
(Gains) on actuarial valuations	(689,900)	(980,033)
Interest Cost	326,000	397,000
<b>Defined Benefit Plan Expense: Long Service Awards</b>	<b>5,325,124</b>	<b>4,031,043</b>
Current Service Cost	2,341,000	2,272,000
Loss on actuarial valuations	68,124	0
(Gains) on actuarial valuations	0	(685,957)
Interest Cost	2,916,000	2,445,000
<b>Sub Total</b>	<b>428,697,278</b>	<b>412,697,875</b>
Expenditure Recharged	0	(221,840)
Recharged to repairs and maintenance	0	0
Recharged to capital projects	0	(221,840)
<b>Total Employee Related Costs</b>	<b>428,697,278</b>	<b>412,476,035</b>

Remuneration of Executives	Total	Annual R	Salary R	Bonus R	Structured R	Reimbursive R	Traveling R	Allowance R	Acting R	Car Allowance R	Bonus R	Performance R	Backpay R	Leave R	Contribution R	Substance R	UIF R	Cell Allowance R
2016																		
Matter JF (Municipal Manager)	1,361,056	847,925	0	0	0	0	0	42,000	243,498	40,583	165,922	0	16,402	0	0	0	4,726	
Carstens J (Acting Municipal Manager )	112,047	0	0	0	0	0	0	112,047	0	0	0	0	0	0	0	0	0	
Carstens J (Chief Financial Officer )	1,610,785	1,052,181	0	1,555	0	98,812	174,629	25,530	0	0	254,895	1,289	1,785	0	0	0	0	
Lategan C (Acting Chief Financial Officer)	121,310	0	0	0	0	121,310	0	0	0	0	0	0	0	0	0	0	0	
De Beer AME (Executive Manager Corporate Services)	1,613,744	1,268,787	0	0	0	139,200	174,629	31,344	0	0	0	0	0	0	0	1,785	0	
De Beer AME (acting Municipal Manager )	14,283	0	0	0	0	14,283	0	0	0	0	0	0	0	0	0	0	0	
Adam AM (Executive Manager Planning and Economic Development)	1,399,255	1,044,558	0	0	0	0	0	0	174,279	31,281	115,217	0	0	0	16,858	1,398	15,722	
Louw J (Executive Manager Infrastructure)	1,607,977	1,350,817	0	830	0	30,000	171,503	30,783	0	0	0	0	0	0	1,297	1,785	20,983	
Boshoff GBF (Executive Manager Social Services)	1,489,859	1,225,789	0	0	0	60,000	171,503	30,783	0	0	0	0	0	0	0	1,785	0	
Smit D (Acting Executive Manager - Planning and Economic Development)	337,887	337,391	0	0	0	0	0	0	0	0	0	0	0	0	0	446	0	
Waring LA (Executive Manager - Planning and Economic Development)	41,385	36,237	0	0	0	5,000	0	0	0	0	0	0	0	0	149	0	0	
	<b>9,709,566</b>	<b>7,161,685</b>	<b>0</b>	<b>2,385</b>	<b>247,650</b>	<b>375,012</b>	<b>1,110,040</b>	<b>190,303</b>	<b>281,139</b>	<b>254,895</b>	<b>35,887</b>	<b>254,895</b>	<b>35,887</b>	<b>9,072</b>	<b>9,072</b>	<b>41,411</b>		

Remuneration of Executives	Total	Annual	Structured	Reimbursive	Acting	Car	Settling	Social
	R	R	R	R	R	R	R	Cell Allowance R
2015	8,476,211	7,341,390	215,524	9,082	407,012	0	8,692	0
Mettler JF (Municipal Manager)	1,772,744	1,551,050	120,496	6,691	0	84,000	0	0,1,785 0
Carstens J (Chief Financial Officer )	1,347,122	1,002,962	0	2,036	0	96,812	0	241,527 0
Boshoff GBF (Executive Manager Social Services)	1,305,199	1,148,386	95,028	0	0	60,000	0	0,1,785 0
De Beer AME (Executive Manager Corporate Services)	1,345,085	1,204,100	0	0	0	139,200	0	0,1,785 0
Louw J (Executive Manager Infrastructure)	1,341,809	1,294,252	0	355	0	25,000	0	0,1,785 20,417
Adam AM (Executive Manager Planning and Economic Development)	1,364,252	1,340,610	0	0	0	0	0	0,1,785 21,857
	<b>8,476,211</b>	<b>7,341,390</b>	<b>215,524</b>	<b>9,082</b>	<b>407,012</b>	<b>0</b>	<b>8,692</b>	<b>0</b>
								<b>241,527 0</b>
								<b>42,274 10,710</b>

### 31. COUNCILLOR RELATED COSTS

Executive Mayor (G van Deventer) (1/7/2015 - 11/5/2016)	682,264	744,412
Executive Mayor (C Poole) (16/5/2016 - 30/6/2016)	109,538	0
Deputy Executive Mayor (C Poole) (1/7/2015 - 15/5/2016)	564,465	621,290
Deputy Executive Mayor (G Combrink) (16/5/2016 - 30/6/2016)	82,644	0
Speaker	661,071	621,290
Whip	619,759	583,990
Executive Mayor committee members	5,537,977	5,837,256
Councillors	12,869,058	11,567,321
Councillors tablet deduction	(72,816)	0
<b>Total Councillors Remuneration</b>	<b>21,053,960</b>	<b>19,975,559</b>

#### *In-kind Benefits*

The Executive Mayor, Deputy Executive Mayor, Speaker, and Mayoral Committee members are employed full-time. Each is provided with an office, administrative and secretarial support at the cost of the Council.

The Executive Mayor and Deputy Mayor and other full-time Mayoral Committee members have access to Council owned vehicles for ceremonial and official functions.

Executive Committee Councillors are provided with work stations which are appropriately equipped.

### 32. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

#### Bad Debts

Contribution to Impairment Provision	84,437,064	71,555,739
Contribution from Impairment provision	(47,348,583)	(35,140,970)
Contribution to housing development fund	152,492	153,172
Bad debts written-off	47,348,583	35,140,970
<b>84,589,556</b>	<b>71,708,911</b>	

Impairment of financial assets has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

### 33. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	170,451,878	160,465,634
Amortisation: Intangible Assets	2,490,909	3,365,513
<b>Total Depreciation and Amortisation</b>	<b>172,942,787</b>	<b>163,831,147</b>

Depreciation and amortisation has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

### 34. IMPAIRMENT LOSSES ON PPE, IA, IP AND HA

#### Impairment Losses on Fixed Assets Recognised:

Property, Plant and Equipment	0	2,041,000
Investment Property	0	0
<b>Total Impairment Losses</b>	<b>0</b>	<b>2,041,000</b>

### 35. INTEREST PAID

Long-term Liabilities	76,440,266	61,024,588
Finance leases	169,082	0
<b>Total Interest on External Borrowings</b>	<b>76,609,347</b>	<b>61,024,588</b>

The weighted average capitalisation rate on funds borrowed generally is 9.62% per annum (2015: 10.71% per annum).

### 36. BULK PURCHASES

Electricity	592,626,886	512,849,405
Water	33,989,884	30,215,474
<b>Total Bulk Purchases</b>	<b>626,616,769</b>	<b>543,064,879</b>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the City of Cape Town.

### 37. CONTRACTED SERVICES

<i>Consultants and Professional Services</i>			
Business and Advisory	28,313,657	22,600,421	
Infrastructure and Planning	7,919,680	2,850,913	
Legal Cost	2,045,038	3,192,102	
<i>Contractors</i>			
Catering Services	101,868	72,058	
Electrical	251,051	4,287,469	
Employee Wellness	24,396	48,236	
Fire Protection	29,771	67,468	
Fire Services	17,459	3,314	
Gardening Services	616,386	702,488	
Inspection Fees	135,000	134,846	
Maintenance of Buildings and Facilities	11,780,700	11,172,589	
Maintenance of Equipment	17,758,607	15,868,197	
Maintenance of Unspecified Assets	29,029,717	34,629,995	
Management of Informal Settlements	3,460,331	1,203,209	
Medical Services	137,960	302,895	
Mint of Decorations	0	1,695	
Pest Control and Fumigation	466,392	241,839	
Preservation/Restoration/Dismantling/Cleaning Services	2,608,188	5,926,412	
Removal of Hazardous Waste	0	9,547	
Safeguard and Security	15,335,624	12,130,724	
Sports and Recreation	226,453	203,756	
Traffic and Street Lights	1,080,467	131,069	
Transportation	318,952	2,120,303	
<i>Outsourced Services</i>			
Animal Care	159,509	145,727	
Burial Services	171,577	202,623	
Clearing and Grass Cutting Services	2,107,332	2,746,643	
Meter Management	409,427	4,855	
Traffic Fines Management	2,832,659	4,072,953	
	<b>127,338,201</b>	<b>125,074,345</b>	

Contracted services has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

### 38. OPERATIONAL COST

Achievements and Awards	6,400	13,200	
Advertising, Publicity and Marketing	2,566,388	2,383,045	
Assets less than the Capitalisation Threshold	6,479	48,565	
Bank Charges, Facility and Card Fees	6,319,543	5,712,901	
Bursaries (Employees)	85,875	142,282	
Catering Municipal Activities	243,479	271,100	
Commission	8,003,033	6,434,673	
Communication	7,963,496	8,664,635	
Deeds	379,922	118,350	
Drivers Licences and Permits	5,992	8,780	
Entertainment	398,334	264,851	
External Audit Fees	5,493,256	4,660,820	
External Computer Service	5,906,972	4,533,786	
Full Time Union Representative	0	203,250	
Housing project expenditure	9,716,211	27,082,541	
Insurance Underwriting	3,888,907	4,185,274	
Licences	1,845,950	1,974,816	
Management Fee	168,323	894,206	
Municipal Services	27,170,176	21,371,275	
Printing, Publications and Books	2,068,678	2,252,926	
Professional Bodies, Membership and Subscription	4,931,414	4,303,953	
Provision for rehabilitation of landfill	21,474,600	58,136,426	
Registration Fees	603,788	1,002,744	
Remuneration to Ward Committees	622,217	15,601	
Resettlement Cost	7,167	0	
Servitudes and Land Surveys	1,600	96,591	
Signage	195,655	173,067	
Skills Development Fund Levy	3,684,270	3,584,650	
Transport Provided as Part of Departmental Activities	36,049	0	
Travel Agency Fees	0	0	
Travel and Subsistence	662,087	321,269	
Uniform and Protective Clothing	1,976,539	2,083,506	
	<b>116,432,800</b>	<b>160,939,080</b>	

Operational cost has been restated according to GRAP 3. Refer to note 40 for more detail of the restatement.

**39. CASH GENERATED BY OPERATIONS**

Surplus/(Deficit) for the year	34,361,384	(30,734,341)
Adjustment for :-	168,695,058	166,486,089
- Depreciation and amortisation	172,942,787	163,831,147
- Housing Development Fund	3,072,132	1,644,334
- Fair Value adjustments	0	2,041,000
- Traffic Fine estimation	(2,550,000)	0
- Prior Period Error	(17,056,978)	(2,474,669)
- Fair Value adjustments on Listed stock	0	39,599
- Fair Value adjustments on Listed stock	36,487	(2,394)
- (Gain)/Losses on disposal of property, plant and equipment	2,673,381	1,407,072
<b>Operating surplus before working capital changes:</b>	<b>203,056,443</b>	<b>135,751,748</b>
(Increase)/Decrease in inventories	7,511,755	5,103,399
(Increase)/Decrease in debtors	(31,413,528)	(22,762,907)
(Increase)/Decrease in Long Term Receivables	22,962	0
Decrease /(Increase) in other debtors	(1,654,078)	(3,159,014)
Decrease /(Increase) in Post retirement benefits and Long services	(2,210,001)	12,967,487
(Decrease)/Increase in other provisions	23,255,673	58,129,184
(Decrease)/Increase in unspent conditional grants and receipts	566,920	15,456,673
Increase/(Decrease) in creditors	25,605,274	3,716,110
Decrease/(Increase) in VAT(net)	(2,036,417)	(2,870,280)
<b>Cash generated by operations</b>	<b>222,659,080</b>	<b>202,332,400</b>

**40. RESTATEMENT OF PRIOR YEAR FIGURES AND ERRORS**

The following restatements and errors occurred which are set out below:

a) Reclassifications

During the 2015/16 year, the municipality reclassified its account structure to align as far possible to the SCOA tables issued in accordance with the Regulations on the Standard Chart of Accounts.

This necessitated the reclassification of comparative amounts as previously disclosed to those classifications aligned to the Standard Chart of Accounts.

The high level effect of the reclassification are as follows:

	Previously reported	Reclassification	Restated
<b>I) Adjustment of statement of financial performance items</b>			
<b>REVENUE</b>			
<b>OLD DESCRIPTION</b>	<b>NEW DESCRIPTION</b>		
<i>Revenue from exchange transactions</i>			
Service charges	<i>Service charges</i>	1,128,163,861	(324,952)
No such item	<i>Sale of Good and Rendering of Services</i>	1,058,874,027	12,421,506
Rental of facilities and equipment	<i>Rental from Fixed Asset</i>	0	11,950,488
Interest earned - external investments		10,449,695	1,012
Dividends - stock		13,752,436	(13,752,436)
Interest earned - outstanding debtors	<i>Finance Income and Dividends</i>	15,120	(15,120)
Other income		13,701,549	13,772,301
No such item	<i>Operational Revenue (Exchange)</i>	31,371,034	(31,371,034)
		0	6,668,331
			6,668,331
<i>Revenue from non-exchange transactions</i>		457,917,362	(2,149,717)
Gains from assets from non exchange transactions	<i>Property rates</i>	2,474,669	(2,474,669)
Property rates		193,848,793	0
Property rates - penalties imposed and collection charges	<i>Surcharges and Taxes</i>	1,653,336	0
Fines	<i>Fines, Penalties and Forfeits</i>	49,704,425	19,128
Licences and permits	<i>Licences and permits</i>	14,032,427	305,824
Government grants and subsidies	<i>Transfers and Subsidies</i>	195,420,954	0
Other income	<i>Operational Revenue (Non-Exchange)</i>	782,758	0
			782,758
<b>Total Revenue</b>		<b>1,586,081,223</b>	<b>(2,474,669)</b>
			<b>1,583,606,554</b>
<b>EXPENDITURE</b>			
<b>Employee Related Costs</b>	<b>Employee Related Costs</b>	412,476,034	0
Remuneration of councillors	<i>Councillor Related Cost</i>	19,975,559	0
Depreciation and Amortisation	<i>Depreciation and Amortisation</i>	166,067,361	0
No such item	<i>Operating Leases</i>	0	12,814,731
Interest paid	<i>Interest paid</i>	61,024,588	0
No such item	<i>Bulk Purchases: Water</i>	0	30,215,474
Bulk purchases	<i>Bulk Purchases: Electricity</i>	543,064,879	(30,215,474)
Grants and subsidies paid	<i>Operational Cost: Monetary</i>	2,067,700	(2,067,700)
Contracted services	<i>Contracted services</i>	21,786,059	102,978,009
No such item	<i>Inventory</i>	0	38,169,946
No such item	<i>Transfers and Subsidies: Operational Expenditure</i>	0	4,222,949
General expenses	<i>Operational Cost</i>	238,914,809	(78,118,568)
Collection costs		5,790,096	(5,790,096)
Impairment of Financial assets		71,708,911	(71,708,911)
Impairment Losses		2,041,000	(2,041,000)
Repairs and maintenance		72,374,094	(72,374,094)
Loss on disposal of property , plant and equipment		1,407,072	(1,407,072)
<b>Total Expenditure</b>		<b>1,618,698,161</b>	<b>(75,321,805)</b>
			<b>1,543,376,356</b>

<b>GAINS AND LOSSES</b>			
Impairment of Financial assets	<i>Impairment of Financial assets</i>	0	71,708,911
Impairment Losses	<i>Impairment losses on PPE, IA, IP &amp; HA</i>	0	2,041,000
Loss on disposal of property , plant and equipment	<i>(Gains)/losses on disposal of PPE, IA, IP &amp; HA</i>	0	1,407,072
No such item	<i>(Gains)/losses on Inventory</i>	0	164,821
Gains from assets from non exchange transactions	<i>Gains from assets from non exchange transactions</i>	0	(2,474,669)
		0	72,847,136
		(32,616,938)	(0)
			(32,616,939)

#### **Surplus / (Deficit) from continued operations**

#### **II) Adjustment of cash flow statement items**

#### **CASH FLOW FROM OPERATING ACTIVITIES**

##### **RECEIPTS**

Property rates	197,215,634	0	197,215,634
Sale of goods and services	1,060,262,364	24,377,751	1,084,640,115
Grants received	204,663,213	0	204,663,213
Interest received on investments	13,752,436	0	13,752,436
Dividends received	15,120	0	15,120
Other receipts and fines received	97,382,156	(24,377,751)	73,004,405

##### **PAYMENTS**

Employee cost	(399,508,546)	0	(399,508,546)
Suppliers	(913,174,589)	0	(913,174,589)
Interest paid	(61,024,588)	0	(61,024,588)
VAT paid	2,749,201	0	2,749,201
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>202,332,400</b>	<b>0</b>	<b>202,332,400</b>

#### **CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property, plant and equipment and intangible assets	(215,403,678)	0	(215,403,678)
Decrease / (Increase) in non-current receivables	(2,302,075)	0	(2,302,075)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(217,705,753)</b>	<b>0</b>	<b>(217,705,753)</b>

#### **CASH FLOWS FROM FINANCING ACTIVITIES**

(Decrease) / Increase in long-term liabilities	89,355,438	0	89,355,438
Increase in consumer deposits	2,710,616	0	2,710,616
	0	0	0
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>92,066,054</b>	<b>0</b>	<b>92,066,054</b>

#### **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents at the beginning of the year	76,692,701	0	76,692,701
Cash and Cash Equivalents at the end of the year	182,832,965	0	182,832,965
	259,525,666	0	259,525,666

#### b) Prior Period Adjustments

#### i) Adjustment of statement of financial performance items

##### **REVENUE**

<b>OLD DESCRIPTION</b>	<b>NEW DESCRIPTION</b>	<b>SCOA Adjusted</b>	<b>Amount of adjustment</b>	<b>Restated</b>
<b>Revenue from exchange transactions</b>				
Service charges	<i>Service charges</i>	1,127,838,909	374,351	1,128,213,260
No such item	<i>Sale of Good and Rendering of Services</i>	1,071,295,533	20,237	1,071,315,770
Rental of facilities and equipment	<i>Rental from Fixed Asset</i>	11,950,488	12,658	11,963,146
Interest earned - outstanding debtors	<i>Finance Income and Dividends</i>	10,450,707	(8,298)	10,442,409
No such item	<i>Operational Revenue ( Exchange)</i>	27,473,850	8,143	27,481,993
		6,668,331	341,611	7,009,942
<b>Revenue from non-exchange transactions</b>				
Property rates	<i>Property rates</i>	455,767,645	0	455,767,645
Property rates - penalties imposed and collection charges	<i>Surcharges and Taxes</i>	193,848,793	0	193,848,793
Fines	<i>Fines, Penalties and Forfeits</i>	1,653,336	0	1,653,336
Licences and permits	<i>Licences and permits</i>	49,723,553	0	49,723,553
Government grants and subsidies	<i>Transfers and Subsidies</i>	14,338,251	0	14,338,251
Other income	<i>Operational Revenue (Non-Exchange)</i>	195,420,954	0	195,420,954
		782,758	0	782,758
<b>Total Revenue</b>		1,583,606,554	374,351	1,583,980,905

## EXPENDITURE

Employee Related Costs	<i>Employee Related Costs</i>	412,476,034	0	412,476,034
Remuneration of councillors	<i>Councillor Related Cost</i>	19,975,559	0	19,975,559
Depreciation and Amortisation	<i>Depreciation and Amortisation</i>	166,067,361	(2,236,214)	163,831,147
No such item	<i>Operating Leases</i>	12,814,731	0	12,814,731
Interest paid	<i>Interest paid</i>	61,024,588	0	61,024,588
No such item	<i>Bulk Purchases: Water</i>	30,215,474	0	30,215,474
Bulk purchases	<i>Bulk Purchases: Electricity</i>	512,849,405	0	512,849,405
Grants and subsidies paid	<i>Operational Cost: Monetary</i>	0	0	0
Contracted services	<i>Contracted services</i>	124,764,068	310,278	125,074,346
No such item	<i>Inventory</i>	38,169,946	299,761	38,469,707
No such item	<i>Transfers and Subsidies: Operational Expenditure</i>	4,222,949	0	4,222,949
General expenses	<i>Operational Cost</i>	160,796,241	142,839	160,939,080
Total Expenditure		<b>1,543,376,356</b>	<b>(1,483,336)</b>	<b>1,541,893,020</b>

## GAINS AND LOSSES

Impairment of Financial assets	<i>Impairment of Financial assets</i>	71,708,911	0	71,708,911
Impairment Losses	<i>Impairment losses on PPE, IA, IP &amp; HA</i>	2,041,000	0	2,041,000
Loss on disposal of property , plant and equipment	<i>(Gains)/losses on disposal of PPE, IA, IP &amp; HA</i>	1,407,072	0	1,407,072
No such item	<i>(Gains)/losses on Inventory</i>	164,821	0	164,821
Gains from assets from non exchange transactions	<i>Gains from assets from non exchange transactions</i>	(2,474,669)	0	(2,474,669)
No such item	<i>Fair value adjustments Financial Assets</i>	0	(24,909)	(24,909)
		<b>72,847,136</b>	<b>(24,909)</b>	<b>72,822,227</b>

## Surplus / (Deficit) from continued operations

(ii) Adjustment of opening balances	Previously reported	Amount of adjustment	Restated
<b>NET ASSETS</b>			
<b>Accumulated Surplus 1 July 2014</b>	<b>(2,421,995,928)</b>	<b>71,400,389</b>	<b>(2,350,595,539)</b>

Adjustment to Rental Income	16,534		
Adjustment to Prior year expenditure	262,095		
Adjustment to Non-current Investments	(320,078)		
Adjustment to VAT apportionment	582,081		
Adjustment to Inventory adjustments	(121,079)		
Adjustment to Service charges and Operational Revenue	227,044		
Adjustment to Recoverable debtors	(49,973)		
Adjustment to Housing debtors	4,105,550		
Adjustment to Borrowings	(18,772)		
Adjustment to Sale of land	39,600		
Adjustment to Property, Plant & Equipment	64,284,259		
Adjustment to Intangible Asset	2,393,127		

## ASSETS AND LIABILITIES

Receivables from non-exchange transactions (Opening Balance at 1 July 2014)	66,551,272	(4,597,473)	61,953,799
Trade and other payables from exchange transactions (Opening Balance at 1 July 2014)	(194,070,563)	(338,388)	(194,369,351)
VAT receivable (Opening Balance 1 July 2014)	12,343,487	36,693	12,380,180
Investments (Opening Balance 1 July 2014)	139,301	263,357	402,658
Non-current inventory (Opening Balance 1 July 2014)	29,634,965	121,079	29,756,044
Trade and other receivables from exchange transactions (Opening Balance at 1 July 2014)	149,016,892	(227,044)	148,789,848
Borrowing (Opening Balance at 1 July 2016)	(536,232,371)	18,772	(536,213,599)
Property, Plant & Equipment (Opening Balance 1 July 2014)	4,472,475,628	(64,284,259)	4,408,191,369
Intangible assets (Opening Balance 1 July 2014)	12,430,750	(2,393,127)	10,037,623
Revaluation Reserve (Opening Balance 1 July 2014)	1,405,303,574	(28,286,815)	1,377,016,759

**(III) Adjustment of statement of financial position items**

**ASSETS**

<b>Non-current assets</b>	<b>4,616,589,330</b>	<b>(92,539,720)</b>	<b>4,524,049,610</b>
Property, plant and equipment	4,519,555,681	(90,893,932)	4,428,661,749
Heritage assets	27,542,700	0	27,542,700
Intangible assets	11,130,415	(1,934,055)	9,196,360
Investment property	54,905,000	0	54,905,000
Non-current investments	141,695	288,267	429,962
Non-current receivables from exchange transactions	3,313,839	0	3,313,839
<b>Current assets</b>	<b>542,234,154</b>	<b>(4,569,254)</b>	<b>537,664,900</b>
Inventory	25,324,072	121,079	25,445,151
VAT receivable	15,092,688	(242,097)	14,850,590
Trade and other receivables from exchange transactions	171,779,799	(210,428)	171,569,371
Receivables from non-exchange transactions	70,184,984	(4,237,808)	65,947,176
Current portion of long-term receivables	326,947	0	326,947
Cash and cash equivalents	259,525,666	0	259,525,666
<b>Total Assets</b>	<b>5,158,823,484</b>	<b>(97,108,974)</b>	<b>5,061,714,510</b>

  

<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-current liabilities</b>	<b>839,570,687</b>	<b>(18,772)</b>	<b>839,551,915</b>
Borrowings	608,325,189	(18,772)	608,306,417
Non-current defined benefit obligations	124,112,000	0	124,112,000
Non-current provisions	107,133,498	0	107,133,498
<b>Current liabilities</b>	<b>491,303,047</b>	<b>714,406</b>	<b>491,977,853</b>
Consumer deposits	31,172,685	0	31,172,685
Trade and other payables from exchange transactions	197,786,673	714,406	198,501,079
Unspent conditional grants and receipts	54,152,291	0	54,152,291
Current portion of non-current borrowings	132,932,517	0	132,932,517
Current portion of defined benefit obligations	7,545,000	0	7,545,000
Current provisions	67,713,881	0	67,713,881
<b>Total Net Assets</b>	<b>3,827,949,750</b>	<b>(97,804,607)</b>	<b>3,730,145,143</b>
Housing development fund	17,107,561	0	17,107,561
Reserves and funds	1,379,053,019	(28,171,379)	1,350,881,640
Accumulated surplus / (deficit)	2,431,789,170	(69,633,228)	2,362,155,942
<b>Total Net Assets and Liabilities</b>	<b>5,158,823,484</b>	<b>(97,108,974)</b>	<b>5,061,714,910</b>

**(iv) Detail of individual items adjusted**

<b>a) Correction of straight lining of leases</b>		<b>Total of change</b>
Straight lining of the lease increases was captured incorrectly in the previous financial year and therefore it was corrected accordingly.		2015
<b>Decrease / (increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2014)</b>		16,534
<b>Increase / (decrease) in Receivables from non-exchange transactions (Opening Balance 1 July 2014)</b>		(16,534)
<b>Decrease / (Increase) in Revenue from exchange transactions</b>		
Rental from Fixed Asset		6,706
<b>Increase / (decrease) In Receivables from non-exchange transactions</b>		
Rental Leases: Straight Lining		(6,706)
<b>b) Correction of expenditure relating to prior period</b>		<b>Total of change</b>
Old book year payment made during the current financial year, but was applicable in the prior financial period. It was corrected accordingly.		2015
<b>Decrease / (increase) In Accumulated Surplus / (deficit) (Opening Balance 1 July 2014)</b>		262,095
<b>Increase / (Decrease) in VAT receivable (Opening Balance 1 July 2014)</b>		
VAT Control		36,693
<b>(Increase) / decrease in Trade and other payables from exchange transactions (Opening Balance 1 July 2014)</b>		
Trade creditors		(298,788)
<b>Increase / (decrease) in Expenditure</b>		
Contracted Services		210,278
Operational Cost		144,769
<b>Increase / (Decrease) In VAT receivable</b>		
VAT Control		20,970
<b>(Increase) / decrease in Trade and other payables from exchange transactions</b>		
Trade creditors		(376,017)

	Total of change 2015
<b>c) Correction of SANLAM shares received</b>	
During the year SANLAM issued the municipality with shares relating to policies taken out, but never claimed	
<b>Decrease / (increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2014)</b>	<b>(320,078)</b>
<b>Increase / (Decrease) in Non-current Investments (Opening Balance 1 July 2014)</b>	<b>263,357</b>
<b>Increase / (decrease) in Receivables from non-exchange transactions (Opening Balance 1 July 2014)</b>	<b>56,720</b>
<b>(Increase) / decrease in Fair value adjustments Financial Assets</b>	<b>(24,909)</b>
Investment - gains	(24,909)
<b>Increase / (Decrease) in Non-current investments</b>	<b>24,909</b>
Investments	24,909
<b>(Increase) / decrease in Finance Income and Dividends</b>	<b>(8,143)</b>
Dividends	(8,143)
<b>Increase / (decrease) in Receivables from non-exchange transactions</b>	<b>8,143</b>
Recoverable debtors	8,143
	<b>Total of change 2015</b>
<b>d) Correction of VAT receivable</b>	
During 2013/14 a dispute with SARS related to VAT incorrectly claimed due to alleged incorrect apportionment percentage application, was settled; but the provision made at time of dispute was not reversed. The error was subsequently corrected.	
<b>Decrease / (increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2014)</b>	<b>582,081</b>
<b>Increase / (Decrease) in Receivable from non-exchange transaction (Opening Balance 1 July 2014)</b>	<b>(582,081)</b>
VAT Apportionment	(582,081)
	<b>Total of change 2015</b>
<b>e) Correction of VAT receivable</b>	
During the year a VAT invoice was disallowed by SARS and the results were corrected accordingly.	
<b>Increase / (decrease) in Expenditure</b>	<b>299,761</b>
Operational Cost	299,761
<b>Increase / (Decrease) in VAT receivable</b>	<b>(299,761)</b>
VAT Control	(299,761)
	<b>Total of change 2015</b>
<b>f) Correction of inventory</b>	
During the year it was discovered that when inventory correction were done in 2013/14, the adjustment were processed twice. Correction was made accordingly.	
<b>Decrease / (Increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2014)</b>	<b>(121,079)</b>
<b>Increase / (Decrease) in Inventory (Opening Balance 1 July 2014)</b>	<b>121,079</b>
	<b>Total of change 2015</b>
<b>g) Correction of debtors accounts</b>	
During the year some debtors accounts were adjusted due to transactions being incorrectly allocated in the prior period. These were adjusted accordingly.	
<b>Decrease / (Increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2014)</b>	<b>227,044</b>
<b>Increase / (Decrease) in Trade and other receivables from exchange transactions (Opening Balance 1 July 2014)</b>	<b>(227,044)</b>
<b>(Increase) / decrease in Revenue from exchange transactions</b>	<b>(5,918)</b>
Service charges	(5,918)
<b>(Increase) / decrease in Revenue from non exchange transactions</b>	<b>(10,698)</b>
Operational Revenue	(10,698)
<b>Increase / (Decrease) in Trade and other receivables from exchange transactions</b>	<b>16,616</b>
Sundries	16,616
	<b>Total of change 2015</b>
<b>h) Correction of bank reconciled items</b>	
During the year a detail reconciliation on long outstanding items were done and these were corrected accordingly.	
<b>Decrease / (increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2014)</b>	<b>(49,973)</b>
<b>Increase / (Decrease) in Receivables from non-exchange transactions (Opening Balance 1 July 2014)</b>	<b>49,973</b>
<b>(Increase) / decrease in Revenue from exchange transactions</b>	<b>(16,557)</b>
Service charges	(14,319)
Sale of good and service	(1,900)
Rental from Fixed Asset	(338)
<b>(Increase) / decrease in Revenue from non exchange transactions</b>	<b>(341,671)</b>
Operational Revenue	(341,671)
<b>Increase / (Decrease) in Receivables from non-exchange transactions</b>	<b>358,227</b>
Recoverable Debtors	358,227

	Total of change 2015	
<b>i) Correction of Assets</b>		
During the year a detail reconciliation on long outstanding items were done and these were corrected accordingly.		
<b>Decrease / (increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2014)</b>	66,677,386	
<b>Increase / (Decrease) in Property, Plant and Equipment (Opening Balance 1 July 2014)</b>	(92,571,074)	
<b>Increase / (Decrease) in Intangibles (Opening Balance 1 July 2014)</b>	(2,393,127)	
<b>Decrease / (Increase) in Revaluation Reserve (Opening Balance 1 July 2014)</b>	28,286,815	
<b>Increase / (decrease) in Depreciation and amortisation</b>	(2,236,214)	
Depreciation	(1,777,142)	
Amortisation	(459,072)	
<b>Increase / (Decrease) in Property, Plant and Equipment</b>	1,777,142	
Land and Buildings and Infrastructure	1,777,142	
<b>Increase / (Decrease) in Intangible</b>	459,072	
Software	459,072	
<b>Increase / (decrease) in Contracted Services</b>	100,000	
Business and Advisory	100,000	
<b>Increase / (Decrease) in Property, Plant and Equipment</b>	(100,000)	
Infrastructure	(100,000)	
<b>Decrease / (increase) in Accumulated Surplus / (deficit)</b>	115,436	
<b>Decrease / (increase) in Revaluation Reserve</b>	(115,436)	
<b>j) Correction of Housing Debtors</b>		
During the year a detail reconciliation on long outstanding items were done and these errors were corrected accordingly.		
<b>Decrease / (increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2014)</b>	4,105,550	
<b>Increase / (Decrease) in Receivables from non-exchange transactions (Opening Balance 1 July 2014)</b>	(4,105,550)	
<b>k) Correction of Borrowings</b>		
During the year a detail reconciliation on long term loans were done and these were corrected accordingly.		
<b>Decrease / (increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2014)</b>	(18,772)	
<b>Decrease / (increase) in Borrowings (Opening Balance 1 July 2014)</b>	18,772	
<b>l) Correction of Borrowings</b>		
During the year a detail reconciliation on sale of land were done and was discovered that a journal was processed twice. These were corrected accordingly.		
<b>Decrease / (increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2014)</b>	39,600	
<b>(Increase) / decrease in Trade and other payables from exchange transactions (Opening Balance 1 July 2014)</b>	(39,600)	
<b>(v) Other disclosure adjustments</b>		
<b>a) Lease commitment adjustments</b>	PREVIOUSLY REPORTED	RESTATED AMOUNT
Prior year comparative correction on Note 41, <i>Operating Lease Commitments as a lessor</i> . The amount was a non-financial disclosure and therefore was corrected accordingly.		
Receivable within one year	804,379	948,675
Receivable within two to five years	1,299,498	1,603,455
Receivable after more than five years	121,871	116,747
	<hr/>	<hr/>
	2,225,748	2,668,876

#### 41. OPERATING LEASE COMMITMENTS

##### The Municipality as Lessee

Future minimum lease payments under non-cancellable operating leases:

<b>Equipment</b>	<b>72,612</b>	<b>469,407</b>
Payable within one year	72,612	396,795
Payable within two to five years	0	72,612
Payable after more than five years	0	0
	<b>72,612</b>	<b>469,407</b>

The Municipality has significant current lease arrangements for photocopy and fax machines over a period of 3 - 5 years being subject to escalation.

<b>Land and Buildings</b>	<b>514,196</b>	<b>601,352</b>
Payable within one year	94,560	87,156
Payable within two to five years	419,636	514,196
Payable after more than five years	0	0
	<b>514,196</b>	<b>601,352</b>

The Municipality has significant current lease arrangements for land and buildings over a period of 10 years being subject to increased lease payments.

<b>Total commitments: Municipality as Lessee</b>	<b>586,808</b>	<b>1,070,759</b>
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##### The Municipality as Lessor

At Statement of Financial Performance date the Municipality has contracted with tenants for the following future minimum lease

Receivable within one year	966,917	948,675
Receivable within two to five years	1,065,259	1,603,455
Receivable after more than five years	96,860	116,747
	<b>2,129,036</b>	<b>2,668,876</b>

The Municipality lets its investment properties under operating leases. Property rental income earned during the year was R 577,419 (2015: R 664,241) The properties are maintained by the tenants at their cost. No investment properties have been disposed of since the statement of financial performance date. Properties are leased for periods ranging from 3 to 25 years. Escalations on lease instalments are applied on recommendation of an independent valuator and does not exceed 10% pa.

Drakenstein Municipality entered into an agreement with Anytime Investments 14 Pty (Ltd) during 2010, with the purpose of urban regeneration. In terms of the agreement, the private party (Anytime) would lease Erf 20343 Paarl (Wamakersplein) for a period of 30 years with an extension option of another 20 years, during which time a commercial facility will be constructed and operated by the private party. Furthermore the various other municipal owned parking areas and sections of street parking will be leased from the municipality for a period of 7 years and operate these as paid parking facilities, this will also co-incide with the upgrading of these areas (parking areas and sidewalks) by the private party.

In terms of the agreement, if any of the agreements were to come to an end due to the non-conformance to any suspensive condition, the parties will negotiate in good faith to come to a fair agreement to ensure that the private party can recoup the direct expenses to the parking areas, which may include a lease for a limited time, so that the private party's expenses can be recouped by way of a lease of sufficient length.

#### 42. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFULL EXPENDITURE DISALLOWED

##### 42.1 UNAUTHORISED EXPENDITURE

###### 42.1.1 Application of sec (a) of the definition of Unauthorised expenditure in terms of the MFMA

	2016	2015
<b>Reconciliation of unauthorised expenditure - Per Sec (a) of the definition of Unauthorised expenditure (Total Budget)</b>		
Opening balance	0	(34,190,541)
Unauthorised expenditure for financial year	0	0
Original Unauthorised expenditure reported in 2013/14	0	0
Restatement of expenditure due to change in accounting policy or correction of errors	0	0
Written off by Council	0	34,190,541
Unauthorised expenditure awaiting authorisation	0	0

###### 42.1.2 Application of Sec (b) of the definition of Unauthorised expenditure in

	2016	2015
<b>Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure (Vote - GFS)</b>		
Opening balance	(4,169,659)	(102,959,450)
Unauthorised expenditure for financial year (Aggregate of GFS Functions overspent)	0	0
Written off by Council	0	98,789,791
Unauthorised expenditure awaiting authorisation	(4,169,659)	(4,169,659)

2015/16

**UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS  
(GFS)**

	BUDGET R	ACTUAL EXPENDITURE R	AUTHORISED / (UNAUTHORISED) R	AMOUNT WRITTEN OFF BY COUNCIL R
EXECUTIVE AND COUNCIL	29,126,163	18,063,872	11,062,291	0
BUDGET AND TREASURY OFFICE	64,341,917	59,128,770	5,213,147	0
CORPORATE SERVICES	127,329,459	126,414,584	914,875	0
PLANNING AND ECONOMIC DEVELOPMENT	36,161,972	34,865,253	1,496,719	0
HEALTH	0	0	0	0
COMMUNITY AND SOCIAL SERVICES	29,995,847	28,683,624	1,312,023	0
HOUSING	143,814,777	117,453,152	26,361,625	0
PUBLIC SAFETY	98,874,331	96,515,487	2,358,844	0
SPORT AND RECREATION	59,569,405	56,037,013	3,532,392	0
WASTE MANAGEMENT	139,652,457	123,867,169	15,785,288	0
WASTE WATER MANAGEMENT	120,244,775	117,455,004	2,789,771	0
ROAD TRANSPORT	110,344,074	106,837,926	3,506,148	0
WATER	128,697,594	123,779,797	4,917,797	0
ELECTRICITY	809,571,889	806,416,491	3,155,398	0
ENVIRONMENTAL PROTECTION	6,642,916	6,065,700	577,216	0
	<b>1,904,367,376</b>	<b>1,821,383,843</b>	<b>82,983,533</b>	<b>0</b>

**Authorised****Unauthorised**

82,983,533

0

**82,983,533**

Refer to appendix C1 for more detail

2014/15

**UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS  
(GFS)**

	BUDGET R	ACTUAL EXPENDITURE R	AUTHORISED / (UNAUTHORISED) R	AMOUNT WRITTEN OFF BY COUNCIL R
EXECUTIVE AND COUNCIL	54,819,514	47,624,465	7,195,049	0
BUDGET AND TREASURY OFFICE	61,891,142	43,717,148	18,173,994	0
CORPORATE SERVICES	139,576,597	132,877,131	6,699,466	0
PLANNING AND DEVELOPMENT	34,772,483	33,326,807	1,445,676	0
HEALTH	5,193,707	5,093,304	100,403	0
COMMUNITY AND SOCIAL SERVICES	27,114,467	25,627,385	1,487,082	0
HOUSING	119,596,648	118,340,882	1,255,766	0
PUBLIC SAFETY	108,771,530	97,110,870	11,660,660	0
SPORTS AND RECREATION	60,201,196	58,091,192	2,110,004	0
WASTE MANAGEMENT	155,852,680	131,414,735	24,437,945	0
WASTE WATER MANAGEMENT	99,442,693	87,543,353	11,899,340	0
ROAD TRANSPORT	92,294,015	89,013,906	3,280,109	0
WATER	106,582,733	102,700,702	3,882,031	0
ELECTRICITY	701,338,279	667,121,926	34,216,353	0
ENVIRONMENTAL PROTECTION	0	0	0	0
	<b>1,767,447,684</b>	<b>1,639,603,807</b>	<b>127,843,877</b>	<b>0</b>

**Authorised****Unauthorised**

127,843,877

0

**127,843,877**

Unauthorised expenditure was certified and written-off by Council on 4 March 2015

Refer to appendix B1 for more detail

**4.2.1.3 Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA**

2016 2015

**Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure (Vote - Directorate)**

Opening balance	(3,897,804)	(75,315,134)
Unauthorised expenditure for financial year (Aggregate of Directorates overspent)	0	0
Written off by Council	0	71,417,330
Unauthorised expenditure awaiting authorisation	<b>(3,897,804)</b>	<b>(3,897,804)</b>

2016

	BUDGET R	ACTUAL EXPENDITURE R	AUTHORISED / (UNAUTHORISED) R	WRITTEN OFF BY COUNCIL R
<b>UNAUTHORISED EXPENDITURE PER VOTE (DIRECTORATE)</b>				
OFFICE OF THE MUNICIPAL MANAGER	4,825,481	3,471,272	1,354,209	0
CORPORATE SERVICES	81,871,757	57,859,362	24,012,395	0
COMMUNITY SERVICES	529,759,278	478,608,793	51,150,485	0
FINANCIAL SERVICES	64,341,917	59,128,770	5,213,147	0
PLANNING AND ECONOMIC DEVELOPMENT	37,442,106	35,845,001	1,597,105	0
INFRASTRUCTURE SERVICES	<b>1,186,126,837</b>	<b>1,186,470,645</b>	<b>(343,808)</b>	
	<b>1,904,367,376</b>	<b>1,821,383,843</b>	<b>82,983,533</b>	<b>0</b>

**Authorised****Unauthorised**

82,983,533

0

**82,983,533**

Refer to appendix B1 for more detail

2015

			AMOUNT WRITTEN OFF BY COUNCIL IN 2014/2015
	BUDGET	ACTUAL EXPENDITURE	AUTHORISED / (UNAUTHORISED)
	R	R	R
<b>UNAUTHORISED EXPENDITURE PER VOTE (DIRECTORATE)</b>			
OFFICE OF THE MUNICIPAL MANAGER	5,476,980	3,933,702	1,543,278
CORPORATE SERVICES	102,562,890	96,945,600	5,617,290
COMMUNITY SERVICES	482,810,402	440,264,109	42,546,293
FINANCIAL SERVICES	61,891,142	43,717,148	18,173,994
PLANNING AND ECONOMIC DEVELOPMENT	34,051,666	31,548,998	2,502,668
INFRASTRUCTURE SERVICES	1,080,654,604	1,024,677,586	55,977,018
	<b>1,767,447,684</b>	<b>1,641,087,143</b>	<b>126,360,541</b>
<b>Authorised</b>			126,360,541
<b>Unauthorised</b>			0
<b>Unauthorised expenditure was certified and written-off by Council on 4 March 2015.</b>			
Refer to appendix B1 for more detail			

#### 42.2 FRUITLESS AND WASTEFUL EXPENDITURE

<b>Opening Balance</b>	14,475	14,475
Fruitless expenditure current year	64,588	0
Payments received during the year	0	0
Approved by council	0	0
<b>Closing Balance</b>	<b>79,063</b>	<b>14,475</b>

Incident	Disciplinary steps/criminal proceedings		
Payment of interest to service providers	Under investigation. Recommendation for consideration will be taken to Council.	64,588	0
Payment to service provider, payment into wrong bank.	Council attorneys busy to recover money.	0	14,475
		<b>64,588</b>	<b>14,475</b>

#### 42.3 IRREGULAR EXPENDITURE

<b>Opening Balance</b>	25,929,143	35,767
Irregular expenditure current year	88,670	16,190,186
Payments received during the year	0	(35,767)
Approved by council	(25,929,143)	0
Irregular expenditure identified in the current year relating to prior years	0	9,738,957
<b>Closing Balance</b>	<b>88,670</b>	<b>25,929,143</b>

Incident	Disciplinary steps/criminal proceedings/reasons for write-offs		
In contravention with Regulation 44(a) of the Municipal Supply Chain Management Regulations.	To be written off. Full information regarding persons in service of the state not available to the municipality. Expenditure incurred before finding was raised. Service provider inactive since the finding occurred.	0	1,066
	To be written off. The service provider was appointed by Provincial Government, but for our account. The specific employee in service of the state resigned on 23 October 2014 from the company.	0	523,858
	The report is also forwarded to the Chief Audit Executive in terms of the Unauthorised, Irregular and Fruitless & Wasteful Policy of the municipality.	88,670	0
No procurement process followed to procure services	User departments will commence the procurement process in appointing service providers in accordance with the SCM policy.	0	1,507,283
In contravention with paragraph 9 of the Preferential Procurement Regulations.	To be written off. Application of local content which is technical of nature and we are still awaiting further instruction notes to give guidance.	0	14,157,979
		<b>88,670</b>	<b>16,190,186</b>

Incident	Disciplinary steps/criminal proceedings/reasons for write-offs		
No procurement process followed to procure services	User departments will commence the procurement process in appointing service providers in accordance with the SCM policy. These irregularities relates to prior years expenditure Identified in the current financial year.	0	9,738,957
		<b>0</b>	<b>9,738,957</b>

**43. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**43.1 Contributions to SALGA**

Opening balance	0	0
Council subscriptions	4,929,125	4,301,610
Amount paid - current year	(4,929,125)	(4,301,610)
Amount paid - previous years	0	0
<b>Balance unpaid (Included in creditors)</b>	<b>0</b>	<b>0</b>

**43.2 Audit fees**

Opening balance	0	0
Current year audit fee	6,326,327	4,660,820
Amount paid - current year	(6,326,327)	(4,660,820)
Amount paid - previous years	0	0
<b>Balance unpaid (Included in creditors)</b>	<b>0</b>	<b>0</b>

**43.3 VAT**

VAT output payables and VAT input receivables are shown in Note 18. All VAT returns have been submitted by the due date

**43.4 PAYE**

Opening balance	47,487,264	43,943,647
Amount paid - current year	(47,487,264)	(43,943,647)
Amount paid - previous years	0	0
<b>Balance unpaid (Included in creditors)</b>	<b>0</b>	<b>0</b>

**43.5 UIF**

Opening balance	0	0
Current year payroll deductions	5,212,479	4,761,766
Amount paid - current year	(5,212,479)	(4,761,766)
Amount paid - previous years	0	0
<b>Balance unpaid (Included in creditors)</b>	<b>0</b>	<b>0</b>

**43.6 Pension Deductions**

Opening balance	0	0
Current year payroll deductions and council contributions	67,421,164	63,340,164
Amount paid - current year	(67,421,164)	(63,340,164)
Amount paid - previous years	0	0
<b>Balance unpaid (Included in creditors)</b>	<b>0</b>	<b>0</b>

**43.7 Medical Aid Deductions**

Opening balance	0	0
Current year payroll deductions and council contributions	26,987,669	24,823,058
Amount paid - current year	(26,987,669)	(24,823,058)
Amount paid - previous years	0	0
<b>Balance unpaid (Included in creditors)</b>	<b>0</b>	<b>0</b>

**43.8 Councillors arrear consumer accounts outstanding more than 90 days**

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 July 2015

CL GJ/R WITBOOI	R
	514

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 September 2015

CL A.BEKER	R
	8,993

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 November 2015

CL J SMIT	R
	42,712

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 December 2015

CL J SMIT	R
	43,478

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 January 2016

CL J SMIT	R
	44,289

The following Councillors had arrear accounts outstanding for more than 90 days as at 28 February 2016

CL GJ/R WITBOOI	R
CL J SMIT	564
	45,012

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 March 2016

CL J SMIT	R
	45,869

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 April 2016

	R
CL J SMIT	46,681
	<u><b>46,681</b></u>

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 May 2016

	R
CL J SMIT	47,746
	<u><b>47,746</b></u>

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2016

	R
CL J SMIT	47,081
	<u><b>47,081</b></u>

#### 43.9 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

Non Compliance to the following sections of chapters of the MFMA :

CHAPTER	SECTION	SUB - SECTION
8	64	-3
8	74	(1) to (2)

#### 44. ADDITIONAL DISCLOSURES IN TERMS OF THE SUPPLY CHAIN MANAGEMENT REGULATIONS

##### 44.1 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

The majority of the items were due to emergency circumstances and economic benefits for the municipality.

If not possible to obtain at least 3 written quotations, the reasons must be recorded and reported	6,205,213	6,956,892
If not possible to obtain at least 3 written quotations, the reasons must be recorded and approved	9,285,414	8,734,889
Dispense with the official procurement processes in an Emergency (as defined in terms of council's SCM policy)	1,727,188	1,022,525
Dispense with the official procurement processes if such goods or services are produced or available from a single Source or Sole provider (as defined in terms of council's SCM policy)	5,214,245	6,016,638
Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes	45,835,801	53,551,894
Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties	574,681	8,438,367
<b>Sub - totals</b>	<b>68,842,542</b>	<b>86,721,205</b>
Cheque request deviations	235,338	587,254
<b>Total Deviations</b>	<b>69,077,880</b>	<b>86,308,459</b>

##### 44.2 Awards to close family members of persons in service of the state - SCM Regulation 45

Awards to close family members of persons in the service of the State

		2016	2015		
<b>Supplier Name</b>	<b>Employee Name</b>	<b>Relationship</b>	<b>Department</b>		
Business Connexion	C Phillips	Spouse	Planning: Economic Development	6,073,647	4,879,058
D Uren Vibracrete	Z Ajam	Child	Finance	959,583	548,261
Inter Media Printers	A Brink	Spouse	Finance	13,600	24,504
Nomakayandile Mercy Quwe T/A	CZ Quwe	Spouse	Community Services	10,385	0
B Malan	JJA Davids	Parent	Western Cape Department of	20,200	0
CSM Consulting Services (Pty) Ltd	A Van Collie	Child	Department of Environmental Affairs	140,837	0
LJ Projects and Events	C Jafta	Spouse	Department of Water Affairs	17,719	0
Maverick Trading 1088 (Pty) Ltd	C Adams	Spouse	Department of Agriculture	100,335	0
Maverick Trading 1088 (Pty) Ltd	F Adams	Child	Department of Education	183,647	0
Succido Enterprises	L Kram	Spouse	Passenger Rail Agency of SA	85,000	0
VAT Guide Consulting CC	S Daniels	Spouse	South African Revenue Services	71,145	0
WAM Technology CC	S Botes	Spouse	Department of Education	24,420,518	7,147,450
Exeo Khokela	T Meyer	Daughter	Western Cape Department of Education	<b>32,096,615</b>	<b>12,599,273</b>

#### 45. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for

*Infrastructure*

*Buildings*

*Other structures and facilities*

*Other*

*Intangibles*

**Total**

526,103,887	192,184,983
463,085,660	153,429,544
0	6,517,987
0	18,240,667
62,198,419	13,996,785
819,808	0
<b>526,103,887</b>	<b>192,184,983</b>

## 46. FINANCIAL INSTRUMENTS

### 46.1 Fair Value of Financial Instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values, except for the listed Government stock. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	NOTE	2016	2015
		Carrying Amount R	Fair Value R
		R	R
<b>FINANCIAL ASSETS</b>			
<b>Fair Value</b>		<b>393,475</b>	<b>393,475</b>
Listed Investments	15	393,475	393,475
<b>Amortised cost</b>		<b>615,364,999</b>	<b>615,364,999</b>
Long-term Receivables	16	2,792,209	2,792,209
Receivables from exchange transactions	19	202,982,898	202,982,898
Receivables from non-exchange transactions	20	67,601,253	67,601,253
Current Portion of Long-term Receivables	16	349,909	349,909
VAT Receivable	18	16,933,669	16,933,669
Bank Balances and Cash	21	324,705,061	324,705,061
<b>Total Financial Assets</b>		<b>615,758,474</b>	<b>615,758,474</b>
<b>FINANCIAL LIABILITIES</b>			
<b>At amortised cost:</b>		<b>1,218,726,709</b>	<b>1,218,726,709</b>
Unsecured Bank Facilities:		770,530,304	770,530,304
- Annuity Loans	5	768,548,875	768,548,875
- Finance leases	5	1,981,429	1,981,429
- Bank Overdraft		0	0
Trade and Other Payables:		<b>448,196,405</b>	<b>448,196,405</b>
- Consumer Deposits	8	33,954,766	33,954,766
- Payables from exchange transactions	9	224,106,352	224,106,352
- Unspent Conditional Grants	10	54,719,210	54,719,210
- Current Portion of Long-term Liabilities	5	134,288,458	134,288,458
- Current Portion of Finance leases	5	1,080,956	1,080,956
- VAT Receivable	18	46,662	46,662
<b>Total Financial Liabilities</b>		<b>1,218,726,709</b>	<b>1,218,726,709</b>
<b>Total Financial Instruments</b>		<b>(602,968,235)</b>	<b>(602,968,235)</b>
		<b>(509,101,438)</b>	<b>(509,101,438)</b>

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

The Fair Value of Long term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

The Annual Financial Statements include holdings in Listed Government Stock which are measured at Fair Value (Note 15). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

#### Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

##### Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

##### Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

##### Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2016

	NOTE	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>					
<b>Financial Instruments at Fair Value:</b>					
Listed Investments	15	393,475	0	0	393,475
Call Deposits		0	0	0	0
Short-term Portion of Investments		0	0	0	0
Bank Balances and Cash		0	0	0	0
<b>Total Financial Assets</b>		<b>393,475</b>	<b>0</b>	<b>0</b>	<b>393,475</b>
<b>FINANCIAL LIABILITIES</b>					
<b>Financial Instruments at Fair Value:</b>					
Other Loans		0	0	0	0
Bank Overdraft		0	0	0	0
<b>Total Financial Liabilities</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Financial Instruments</b>		<b>393,475</b>	<b>0</b>	<b>0</b>	<b>393,475</b>

30 June 2015

		Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>					
<b>Financial Instruments at Fair Value:</b>					
Listed Investments	15	429,962	0	0	429,962
Call Deposits		0	0	0	0
Short-term Portion of Investments		0	0	0	0
Bank Balances and Cash		0	0	0	0
<b>Total Financial Assets</b>		<b>429,962</b>	<b>0</b>	<b>0</b>	<b>429,962</b>
<b>FINANCIAL LIABILITIES</b>					
<b>Financial Instruments at Fair Value:</b>					
Other Loans		0	0	0	0
Bank Overdraft		0	0	0	0
<b>Total Financial Liabilities</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Financial Instruments</b>		<b>429,962</b>	<b>0</b>	<b>0</b>	<b>429,962</b>

#### 46.2 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Borrowings disclosed in Note 5; Cash and Cash Equivalents disclosed in Note 21; and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 2 to 3 and the Statement of Changes in Net Assets.

#### Gearing Ratio

The gearing ratio at the year-end was as follows:

Debt		905,899,718	741,238,934
Equity		3,777,155,818	3,730,145,143
Net debt to equity ratio		23.98%	19.87%

Debt is defined as Long- and Short-term Borrowings, as detailed in Note 5.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

#### 46.3 Financial Risk Management Objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRS mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### 46.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

#### 46.5 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 46.6 below). No formal policy exists to hedge volatilities in the interest rate market.

#### 46.6 Interest Rate Risk

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities, as detailed in Appendix A, are fixed interest rate loans. Similarly with financial assets, the Municipality invests its surplus funds on fixed interest rate deposits with banks for fixed terms not exceeding one year.

No interest rate sensitivity analysis was performed, as the municipality is not exposed to variable interest rates on outstanding liabilities.

The municipality's maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

##### *Effect of a change in interest rate on interest bearing financial assets and liabilities*

<u>Financial Assets</u>	<u>Classification</u>	R
		2016
<u>External investments:</u>		
Call Deposits	Amortised cost	319,390,807
Bank Balances	Amortised cost	5,302,553
Cash Floats and Advances	Amortised cost	11,700
		<u>324,705,061</u>
<u>Interest received</u>		
Interest Earned - External Investments		19,254,821
Interest rate		<u>5.93%</u>
<i>Effect of a change in interest rate on interest earned from external investments:</i>		
Effect of change in interest rate	%	4.93%
Effect of change in interest rate	Rand value	<u>16,007,770</u>
Effect of change in interest rate	%	6.93%
Effect of change in interest rate	Rand value	<u>22,501,872</u>
<u>Outstanding debtors:</u>		
Receivables from exchange transactions	Amortised cost	202,982,898
Receivables from Non exchange transactions	Amortised cost	67,601,253
Staff loans - current portion	Amortised cost	
		<u>270,584,151</u>
<u>Interest received</u>		
Interest Earned - Outstanding Debtors		11,144,067
Interest rate		<u>4.12%</u>
<i>Effect of a change in interest rate on interest earned from outstanding debtors</i>		
Effect of change in interest rate	%	3.12%
Effect of change in interest rate	Rand value	<u>8,438,226</u>
Effect of change in interest rate	%	5.12%
Effect of change in interest rate	Rand value	<u>13,849,909</u>
<u>Financial Liabilities</u>	<u>Classification</u>	
<u>Long-term Liabilities</u>		
Annuity Loans	Amortised cost	902,837,333
Finance leases	Amortised cost	3,062,385
		<u>905,899,718</u>
<u>Interest paid</u>		
Long-term Liabilities		76,609,347
Interest rate %		<u>8.46%</u>
<i>Effect of a change in interest rate on interest paid on long-term liabilities</i>		
Effect of change in interest rate	%	7.46%
Effect of change in interest rate	Rand value	<u>67,550,350</u>
Effect of change in interest rate	%	9.46%
Effect of change in interest rate	Rand value	<u>85,668,345</u>

#### 46.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The Municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the Municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

The municipality has access to financing facilities, the total unused amount which is R5 million at the balance sheet date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

#### **46.8 Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The Municipality manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the Municipality's credit control and debt collection policy. The Municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 19 to the financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

	NOTE	15	393,475	429,962
Investments	16	3,253,383	3,721,223	
Long-term Receivables	19.1 + 20.1	437,485,816	391,893,805	
Receivables from Consumer debtors	19.2 + 20.2	49,121,966	41,995,339	
Receivables from Other debtors	18	16,887,007	14,850,590	
VAT receivable	21	324,705,060	259,525,665	
Bank and Cash Balances			<u>831,846,708</u>	<u>712,416,583</u>

#### **Maximum Credit and Interest Risk Exposure**

#### **46.9 Other Price Risks**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

### **47. PUBLIC PRIVATE PARTNERSHIPS**

#### **Waste to Energy (WtE)**

The Municipality has started with a Public Private Partnership process with a private party, Interwaste, to establish a WtE Facility with the objective of pursuing an alternative integrated waste management solution other than landfilling. The Interwaste PPP agreement would include the integrated management of the DM's waste management operations, including the planning, designing, financing, construction and operation of a Waste to Energy Plant which includes the establishment of a Materials Recovery Facility, Anaerobic Digestion Facility and a Direct Combustion Facility. The results of a feasibility study for the project presented to Council on 23 April 2014, has resulted in Council's approval in principle that the project should proceed. The WtE project is currently in the Environmental Impact Assessment (EIA) stage that includes a public participation process. Also all relevant agreements with the related stakeholders are being prepared. The Main PPP agreement will only be entered into and presented to Council for approval once all statutory authorisations and licenses have been obtained. The PPP is registered with National Treasury as Project M074.

### **48. RELATED PARTY TRANSACTIONS**

#### **Transactions with Key Management Personnel and Councillors**

Compensation made to Key Management Personnel and Councillors is disclosed in note 30 above.

Consumer services rendered to Key Management Personnel amount to R 38,613.

Outstanding balances on Key Management Personnel's consumer accounts at 30 June 2016 (Current Accounts) amount to R 0 (2015: R 2,507).

Consumer services rendered to Councillors amount to R 786,996.

Outstanding balances on Councillors' consumer accounts at 30 June 2016 amount to R 48,180 (2015: R 67,026).

The consumer services are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Key Management Personnel and Councillors. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Not all persons in the service of the state is seen as related parties as defined in IPSAS 20, as they do not necessarily control or have an interest that gives them significant influence over the municipality. For disclosure purposes in terms of Supply Chain Management Regulations 45, awards to close family members of persons in the service of the state are disclosed in note 44.2.

### **49. RETIREMENT BENEFIT INFORMATION**

The Municipality makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R 67,421,164 (2015: R 63,340,164) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

#### **CAPE JOINT PENSION FUND**

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

##### **Defined Benefit Scheme**

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 23.06 % (period 1 February 2012 - 30 June 2014) and 26.77% (period 1 July 2014 - 30 June 2015) by their councils. The actuarial valuation report at 30 June 2015 disclosed an actuarial valuation amounting to R2,136,012,000 (30 June 2014 : R3,631,518,000), with a net accumulated surplus of R28,015,000 (2014 : R23,343,000), with a funding level of 101.4% (30 June 2014 : 104.4%).

##### **Defined Contribution Scheme**

The actuarial valuation report at 30 June 2015 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R1,932,720,000 (30 June 2014 : R566,689,000), net investment reserve of R0 (30 June 2013 : R787,000) and with a funding level of 100% (2014 : 100%).

The actuary concluded that :

- The future service contribution rate shortfall amounts to 5.34% of salary in respect of 29 remaining DB active members as at the valuation date.
- The Trustees granted a pension increase of 3% effective 1 January 2016 and a pensioner bonus of 75% of monthly pension payable in December 2015. Pro-rata pension increases and bonus apply for pensions in payment for less than one year.
- The underlying asset portfolios were not aligned with the Members' Shares and Fund accounts at the valuation date.
- The direct property assets of R390.2 million form a relatively high proportion at 18.8% of the assets of the Pensioner Account. In my opinion, a proportion of between 0% and 10% would be more appropriate to avoid an over-concentration in one asset class.

It is to be noted that :

- All the active members have now all been converted to the DC Section.
- There is no longer any contribution rate shortfall as this only applied to 29 residual DB Section active members, that have now also converted to the DC Section; and
- Both the DC Section and the DB Section were fully funded as at the valuation date.

The actuary certified The Pensioner Account was 101.4% funded with a surplus of R28.0 million and is in a sound financial condition. The funding level in respect of the DB active members was 153.1% with a surplus of R21.9 million. The DB Section is in a sound financial condition and the DC Section has a funding level of 100% and is in a sound financial condition. Overall the Fund is in a sound financial condition with a surplus of R50.0 million and an overall funding level of 101.2%. The nature of the assets is suitable for the Fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

#### **CAPE JOINT RETIREMENT FUND**

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R18,322,177,000 (30 June 2014: R17,172,854,000), with funding levels of 112.1% and 100% (30 June 2014 112.6% and 99.9%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2015 & 2014. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R17,172,854,000 (30 June 2013: R13,607,813,000), with funding levels of 112.6% and 99.9% (30 June 2013 100.2% and 105.1%) for the Share Account and the Pensions Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2014 & 2013. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

#### **SALA PENSION FUND**

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2015 revealed that the assets of the fund amounted to R13,413,300,000 (30 June 2014 : R12,658,200,000), with funding levels of 100% (30 June 2014: 100%). The highest contribution rate paid by the members was 7.92% and by Council 20.78%.

It is the actuary's opinion that :

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

#### **MUNICIPAL COUNCILLORS' PENSION FUND**

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

#### **NATIONAL FUND FOR MUNICIPAL WORKERS**

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R10,050,029,000 (30 June 2014 : R9,031,759,000), with funding levels of 100.42% (30 June 2014: 100.10%). The actuary certified that the assets of the fund are sufficient to cover 100.42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

#### **SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND**

The SAMWU National Provident Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R6,574,775,000 (30 June 2011 : R4,021,622,000), with funding levels of 111.7% (30 June 2011: 111.1%). The investment smoothing reserve has remained unchanged at 4.6% of the market value of assets (or 5.5% of members' Fund Credits and the data reserve). The actuary certified that based on the 2014 valuation the Fund's assets are sufficient to cover the members' Fund Credits, Risk Benefits Reserve and the Data Reserve and to provide for an Investment smoothing reserve of 5.55% of members' Fund Credits as at 30 June 2014. In addition, there is a substantial surplus of some R689.1 million. The Fund is therefore in a very sound financial position.

#### **50. CONTINGENCIES**

##### **Contingent Liabilities**

###### ***Nova Packhouse (Pty) Ltd***

###### **Claim for damages**

On 20 April 2009 a fire caused severe and extensive damage to the buildings and the facilities, including moveable assets of the claimants (Nova Packhouse / Colours Packhouse (Pty) Ltd). It is alleged that the fire could have been contained and loss suffered reduced had various fire preventative mechanisms been installed at the premises. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled. No further action since 2012.

###### ***Pearl Print (Pty) Ltd - Destruction of property***

###### **Claim for damages**

A fire destroyed the Paarl Print property erf 25867, Paarl during September 2009. As a result of this incident, the applicant during March 2012 lodged a claim against the Municipality to the amount of R448,819,503.79. Claim was referred to Council's insurers and notice of intention to defend was lodged by the insurer's legal representatives. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled. No further action since 2012.

###### ***A Means - Paarl Print***

###### **Claim for damages**

The Municipality is being sued by the spouse of an employee of Paarl Print who was killed during the Paarl Print fire (refer above). A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled. No further action since 2012.

###### ***JA Clift (Pty) Ltd - Fire Paarl Mountain***

###### **Claims for damages**

The Municipality is being sued by JA Clift (Pty) Ltd for losses suffered by fire. It is alleged by the Plaintiff that on 4 March 2009 a veld fire started on Erf 1, Paarl whereafter it spread to the property of the plaintiff on 06 March 2009. As a result of fire the plaintiff sustained extensive damage to olive trees and vineyards as a further result of which the plaintiff suffered damages as claimed in the summons and particulars of the claim. An award was made in favour of the plaintiff, and will be settled by the Municipality's insurers. the only outflow would be the estimated excess to be approximately R 5,000. Matter has been settled, but the costs of the plaintiff is still to be taxed.

###### ***E Hagen - Claims for personal injury***

###### **Claims for damages**

The Municipality is being sued by Ernest Hagen, for personal injuries suffered when a Bambi bucket of water (3000 litres) was released onto his person during the water bombing of a veld fire. The legal representative is of the opinion the Municipality is non-suited in the action as the aerial firefighting support was engaged and controlled by the Cape Winelands District Municipality. The claim was subsequently withdrawn.

###### ***Automa Building Products (Pty) Ltd - Services Rendered***

A claim of R 66,509.00 with interest of 15.5% per annum was instituted against the Municipality for services rendered. The matter

	114,563,595	114,563,595
	448,819,504	448,819,504
	2,000,000	2,000,000
	5,000	5,000
	0	3,417,916
	66,509	66,509

<b>GM Ward - Road Accident Fund claim</b>	<b>7,000,000</b>	<b>6,000,000</b>
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The plaintiff, G M Ward is claiming damages of approximately R 7,000,000.00 against the Municipality and the Road Accident Fund. The legal counsel has advised the Municipality (Insurer) to increase the reserve for the current year under review from R 5,000,000.00 to R 6,000,000.00 inclusive of the costs of the plaintiff.

<b>Klein Parys - additional compensation claim</b>	0	0
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The Klein Parys Boerdery (Pty) Ltd claimed compensation from Drakenstein Municipality above the amount the Municipality has offered to pay Klein Parys of R739,737.50. This is for the registration of a permanent servitude against Erf 14275, Pearl, for purposes of constructing a sewerage pipeline and taking up the existing road reserve situated along the boundary of Klein Parys' property by 6 meters. This matter has been referred to a referee for settlement agreement between the parties. A contingent liability exist for the unknown amount above the offered amount. Settlement was reached and compensation to the amount of R827 961.32 (VAT excl) was approved by Mayco on 16 March 2016 and paid.

<b>Drakenstein Municipality / Vine &amp; Solitude CC / G Abdol &amp; J Alkaster</b>	0	<b>75,000</b>
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A possible appeal against an order granted against the Municipality by the Land Claims Court, after and order for eviction was granted. If the appeal is rejected emergency housing would have to be provided at the cost indicated. File has been closed.

<b>Drakenstein Municipality / CJ Cillie / J &amp; LH Adams</b>	0	<b>201,000</b>
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An appeal has been lodged against an order granted against the Municipality the Wellington Magistrate's Court. Appeal from the Magistrate's Court to the Land Claims Court. If the appeal is rejected emergency housing would have to be provided at the cost indicated. Appeal recorded and matter remitted to magistrate court.

<b>Drakenstein Municipality / JD Kirsten / E &amp; E Van der Vendt</b>	0	<b>237,000</b>
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Application for Rescission of Judgment and possible Appeal later on. Order granted against the Municipality by the Land Claims Court. If the appeal is rejected permanent housing would have to be provided at the cost indicated. The matter has been finalised.

<b>Drakenstein Municipality / A W Zybrands</b>	0	<b>40,000</b>
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An application for eviction and provision of emergency accommodation to 23 families by the land owner. Order was granted by the court to instruct Drakenstein Municipality to provide accommodation for these families. A subsequent application was made for extension of the time set out in the order, to allow the Municipality to provide accommodation for these families. Preliminary settlement discussions in the matter between the applicant's attorney's and Council's attorneys were under way at date of the issue of these Financial Statements. In terms of the proposed settlement, the Municipality has relocated the respondents in the case on 30 September 2015 to an alternative site that has been agreed to and provided the respondents with the necessary rudimentary services. The matter has been finalised.

<b>Drakenstein Municipality - Employee Arbitration cases</b>	0	<b>747,983</b>
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The Municipality is involved in three arbitration cases with previous employees who were dismissed. The outcomes of these arbitration proceedings cannot be determined, but if the Municipality should lose all three cases, the potential exposure is estimated at a maximum of R 747,983.21. During the year 2 cases have been resolved in the favour of the municipality, the one outstanding case has been settled to be remitted to SALGBC for re-hearing by a Senior Commissioner, but no monetary exposure.

#### **Fringe benefit for housing rental**

In terms of paragraph 2(d) of the 7th Schedule of the Income Tax Act, 1962 (Act No. 58 of 1962), a taxable benefit is deemed to have been granted where the employer has provided the employee with residential accommodation either free of charge or for a rental consideration which is less than the value of such accommodation. It was identified that municipal houses are being rented to employees in certain instances where rent which is lower than a market related rental. A contingent liability exists for the PAYE on the fringe benefit obtained by the employees for residing in these premises, the amount of which cannot be determined with certainty.

#### **Insurance claims**

<b>F September - Unlawful arrest</b>	0	<b>80,000</b>
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The Municipality & Minister of Safety & Security is being sued by the plaintiff, F September for an unlawful arrest. The matter has been dormant since December 2012 and file has subsequently been closed.

<b>MP Wessels - Personal Injury</b>	<b>2,231,194</b>	<b>2,231,194</b>
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The plaintiff, MP Wessels is claiming from the Municipality for personal injury due to the plaintiff's motorcycle hitting a pothole. The claim has been quantified and a mandate is awaited from the insurer to make an offer to the plaintiff in settlement of the claim. The municipality's exposure is limited to their excess amount payable.

<b>KG &amp; CG De Jager - Personal Injury</b>	<b>900,000</b>	<b>500,000</b>
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The plaintiff, K G & C G de Jager is claiming from the Municipality for personal injury due to the plaintiff's motorcycle hitting a pothole. The municipality's exposure is limited to their excess amount payable.

<b>LR Brown - Personal injury</b>	<b>10,000</b>	<b>10,000</b>
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The plaintiff, Lester Ronald Brown is claiming from the Municipality for damages related to soft tissue injury after a part of the railway bridge collapsed. No further legal action since March 2014, unlikely to proceed.

<b>C Veldsman - Personal injury</b>	<b>310,000</b>	<b>310,000</b>
The plaintiff, Carmen Veldman is claiming from the Municipality for damages to a vehicle after a ditch was dug across the road. No further steps have been taken by plaintiff to date.		
<b>DL van Rooi - Damages claims</b>	<b>517,500</b>	<b>517,500</b>
The plaintiff, DL van Rooi is claiming from the Municipality for damages. The matter is being dealt with by the insurer's attorney.		
<b>CN Koch - Damages claims</b>	<b>44,300</b>	<b>44,300</b>
The plaintiff, CN Koch is claiming from the Municipality for damages arising from a pot hole that the plaintiff drove in and lost control over the vehicle and suffered damages. The matter is being dealt with by the insurer's attorney. No further legal action for the past 18 months.		
<b>R Morris - Damages</b>	<b>83,981</b>	<b>90,000</b>
The plaintiff, R Morris is claiming from the Municipality for damages . The Municipality has been cited as the 2nd defendant, after the 1st defendant hit a pot hole and collided into another vehicle. The matter is being dealt with by the insurer's attorney.		
<b>J Frylinck - Damages</b>	<b>0</b>	<b>180,000</b>
The plaintiff, J Frylinck is claiming from the Municipality for damages resulting from an incident where the plaintiff stepped onto a storm water drain where after the lid gave way and the plaintiff fell into the manhole. The matter is being dealt with by the insurer's attorney. Matter has been settled and finalised.		
<b>D Theys - Damages</b>	<b>356,000</b>	<b>356,000</b>
The plaintiff, D Theys is claiming from the Municipality for damages after hitting a sandbag and then collided with a fence. The matter is being dealt with by the insurer's attorney. Waiting for plaintiff to set the matter down for hearing. The claims of D		
<b>OL Veroni - Damages</b>	<b>10,000</b>	<b>10,000</b>
The plaintiff, OL Veroni is claiming from the Municipality for damages after hitting a sandbag and then collided with a fence. The matter is being dealt with by the insurer's attorney. Waiting for plaintiff to set the matter down for hearing. The claims of D Theys,		
<b>HL Carolissen - Damages</b>	<b>50,000</b>	<b>50,000</b>
The plaintiff, H Carolissen is claiming from the Municipality for damages after hitting a sandbag and then collided with a fence. The matter is being dealt with by the insurer's attorney. Waiting for plaintiff to set the matter down for hearing. The claims of D		
<b>Gouda Hermon Taxi Association</b>	<b>0</b>	<b>50,000</b>
Notice of Motion. Application for an Order to Restore was filed by the claimant. Drakenstein Municipality and two others are respondents. The matter is opposed by the respondents. No monetary amount involved.		
<b>M De Villiers - Damages</b>	<b>351,639</b>	<b>0</b>
The matter has been referred to our internal insurer department on 14/12/2015. Attorney firm Visagie Vos has been appointed to act on behalf of Drakenstein Municipality. Notice of Intention to Defend has been filed and the exchange of pleadings has been finalised. It is now for the Plaintiff to apply for a trial date and the waiting period for such a date is approximately 18 months. Waiting or the plaintiff to set the matter down for hearing.		
<b>L van Riet - Damages</b>	<b>43,425</b>	<b>0</b>
Matter referred to our internal insurer. Attorney appointed by our broker to represent the municipality in this case. Nagesh Maharaj Attorneys has been appointed on 30/9/2015 to act on behalf of the Municipality.		
<b>Drakenstein Municipality - Distell Ltd</b>	<b>113,651</b>	<b>0</b>
The plaintiff claims for the amount of R113 650.50 due to payment that was erroneously made on Municipal account. Notice of intention to defend filed at court 27/11/2015.		
<b>Contingent Asset</b>		
<b>WK Construction (Pty) Ltd, Neil Lyners &amp; Associates CC</b>	<b>2,900,047</b>	<b>0</b>
Claim for damages to a bridge due to negligence from the defendant for the Construction of a bulk sewer at Southern Paarl. Summons was served on Defendant for damages. Notice of intention to Defend for the 1st and 2nd Defendant was filed on 20/08/2015 at the offices of Van der Spuy and Partners( attorney on record for the Municipality). Matter still in progress		
<b>Neil Lyners &amp; Associates CC</b>	<b>4,081,208</b>	<b>0</b>
Claim for damages during installation of Civil Infrastructure services under contract CES9/2011 Siyahlala. Formal letter of demand was served on the Respondent dated 22/07/2015. Summons to be issued.		

## 51. BIOLOGICAL ASSETS

The Municipality has various species of Proteacea growing on the Paarlberg (Erf 1 Paarl), a National heritage site. Due to the fact that the plants are growing in a nature reserve it is protected by the Nature Conservation Act 19 of 1974 a special permit must be obtained to harvest any seeds produced by these plants. These plant grow wild and is exposed to natural conditions such as fire, furthermore there is no input cost by the municipality in order to enhance the growth of these plants or to control it as what would normally be seen in an agricultural activity. These plants produce seedlings on a yearly basis that can result in plants but the municipality cannot determine the quantity of plants as these plants are all in different stages of growth. For the reasons above these plants are not recognised and accounted for in terms of GRAP 27, Agriculture.

## 52. DISTRIBUTION LOSSES

	2016	2015
<b>WATER</b>		
Reconciliation of water losses		
Kilolitres bought	18,709,547	19,276,942
Kilolitres sold	16,257,101	16,357,465
Kilolitres lost	<u>2,452,446</u>	<u>2,919,477</u>
Value of losses	<u>4,267,256</u>	<u>5,079,890</u>
Percentage of losses	13.11%	15.14%
Norm of losses	15.00%	15.00%

### Reasons for losses:

- Burst pipes
- Use of unmetered fire water connections at flat buildings and factories.
- Open spaces & sports fields that is still unmetered
- Undetected leaks underground
- Scouring of mainlines and reservoirs as part of the operational procedure to ensure good water quality

	2016	2015
<b>ELECTRICITY</b>		
Reconciliation of MWh losses		
MWh units bought	750,370,166	731,859,193
MWh units sold	688,541,084	699,515,265
MWh units lost	<u>61,829,082</u>	<u>32,343,928</u>
Value of losses	<u>27,633,500</u>	<u>14,455,591</u>
Percentage of losses	8.24%	4.42%
Norm of losses	10.00%	10.00%

### Reasons for losses:

- Technical losses
- Unmetered services
- Theft

## 53. REPORTING AGAINST THE FRAMEWORK FOR SCHEDULE 4 OF DORA ALLOCATIONS

Submit project registrations and detail project implementation plans before the prescribed due dates.  
Department of provincial and Local Government is monitoring the overall programme implementation.

## 54. REGISTERED MIG PROGRAMMES FOR THE 2015/2016 FINANCIAL YEAR

	Received	Expenditure	Closing Balance
Upgrading of Mbekweni B and C sport fields	784,750	784,749	1
Cloak / Ablution facilities	218,236	218,235	1
netball fields	11,404	11,404	0
Clubhouse / Cloakrooms / Ablution facilities	4,021,470	4,021,469	1
Welvanpas WTW & Out buildings	2,137,475	2,137,475	0
11 ML Newton reservoir	9,263,726	9,263,726	
5ML Reservoir : Water Reticulation : Wellington Replacement of Strawberry King Bulk Water	1,315,789	1,315,789	0
Wellington WWTW : Rehabilitation & Extension	5,021,420	5,021,420	0
Wellington WWTW : Rehabilitation & Extension	5,413,478	5,413,478	0
Street Lighting : Bo Dal Road Extension	50,180	50,180	0
Street Lighting : Hermon	162,719	162,719	0
Street Lighting : Gouda	222,509	222,508	1
PMU	<u>1,415,600</u>	<u>1,415,600</u>	<u>0</u>
	<b>30,038,756</b>	<b>30,038,752</b>	<b>4</b>

**55. RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:**

<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>34,361,384</b>
<b>Basis Differences</b>	
<b>Revenue By Source</b>	
Property rates	0
Property rates - penalties & collection charges (Surcharges and Taxes*)	360,043
Service charges - electricity revenue	908,322,011
Service charges - water revenue	166,866,534
Service charges - sanitation revenue	79,059,167
Service charges - refuse revenue	97,464,633
Service charges - other	34,168
<i>Service Charges *</i>	<i>(1,172,420,725)</i>
Rental of facilities and equipment (Rental of Fixed Assets*)	(19,474)
Interest earned - external investments	19,261,074
Interest earned - outstanding debtors	11,166,228
<i>Finance Income and Dividends*</i>	<i>(30,414,008)</i>
Fines	0
Licences and permits	0
Agency services	0
Transfers recognised - operational	25,258,424
<i>Transfers and Subsidies*</i>	<i>(83,674,029)</i>
Other revenue (Operational Revenue (Exchange)*)	45,140,601
<i>Operational Revenue ( Non - Exchange)*</i>	<i>(717,800)</i>
<i>Sale of Goods and Rendering of Services*</i>	<i>(13,524,518)</i>
Inventory Surpluses	
Gains on disposal of PPE	4,925,000
<i>Fair value adjustments Investment Property*</i>	<i>(2,550,000)</i>
<i>Gains from assets from non exchange transactions *</i>	<i>(17,056,978)</i>
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>37,480,351</b>
<b>Expenditure By Type</b>	
Employee related costs	(2,753,905)
Remuneration of councillors (Councillor Related Cost *)	0
Collection cost	0
Debt impairment	0
Impairment losses on financial assets	0
Depreciation & asset impairment (Depreciation and Amortisation *)	0
Impairment Losses	0
Finance charges (Interest paid *)	0
Bulk purchases	33,969,884
<i>Bulk Purchases : Electricity *</i>	<i>0</i>
<i>Bulk Purchases : Water*</i>	<i>(33,969,884)</i>
Contracted services	(283,265)
Transfers and grants (Transfers and Subsidies : Operational Exp*)	(4,375,657)
Other expenditure (Operational Expenditure*)	171,919,435
<i>Inventory*</i>	<i>(39,052,906)</i>
<i>Operating Leases*</i>	<i>(14,180,797)</i>
Loss on disposal of PPE (Gains /losses) on disposal of PPE, IA, IP & HA*)	0
<i>Gains / losses on disposal of PPE, IA, IP &amp; HA*</i>	<i>(34,301)</i>
<i>Fair value adjustments Financial Assets*</i>	<i>(36,487)</i>
<b>Total Expenditure</b>	<b>111,202,117</b>
<b>Surplus/(Deficit)</b>	
Transfers recognised - capital	73,721,766
Contributions recognised - capital	0
Contributed assets	0
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>34,361,384</b>
<b>Net surplus/deficit per approved budget</b>	<b>34,361,384</b>

Budget basis differences mainly relate to Revenue from Housing Grants and the related Housing expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounting to R 25,258,424 and subsidies for free-basic services provided to indigent consumers which is budgeted for as expenditure under Other Expenditure, but regarded as Revenue foregone in terms of GRAP amounting to R83,208,650. At time of preparation and approval of the 2015/16 budget, the classifications as per SCoA was not yet stable and the A-Schedule formats not yet updated to accommodate SCoA classifications and thus the 2015/16 budget was prepared on the old pre-SCoA classifications. This is therefore the reason for the disparity in classifications between the 2015/16 Budget and GRAP Annual Financial Statements.

\* - Statement of Financial Performance classifications

## **56. BUDGET INFORMATION**

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal Budget regulations as well as MFMA Budget circulars. In accordance with the Municipal Budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material it is explained in the explanations below:

### **56.1 Explanation of variances between approved and final budget amounts**

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Drakenstein Municipality as approved by Council.

### **56.2 Explanation of variances greater than 10%: Final Budget and Actual amounts**

#### **56.2.1. Statement of financial position**

##### **i) Current Assets**

- *Inventory*  
In terms of GRAP 17, Capital Spares held in stores, are classified as PPE and thus excluded from Inventory for AFS.
- *Receivables from exchange transactions*  
VAT also included in budget estimation. Increase in debtors estimated due to increase in tariffs.
- *Receivables from Non-exchange transactions*  
The unpredictability of traffic fines debtors, resulted in receivables from non-exchange transactions being under budgeted.
- *Cash and cash equivalents*  
Long-term loans taken up, but not yet utilised and thus reinvested.
- *VAT Receivables*  
Incorrect budget assumptions were used to budget for this item.
- *Current portion of long-term receivables*  
Incorrect budget assumptions were used to budget for this item.

##### **ii) Non-current Assets**

- *Long-term Receivables*  
The actuals are more than the budgeted amount due to an increase in impairment calculated and adjusted on the amounts.
- *Investment Property*  
Incorrect budget assumptions were used to budget for this item.
- *Intangible assets*  
Incorrect budget assumptions were used to budget for this item.
- *Heritage assets*  
The budget for Heritage assets was included with that of PPE for budget purposes.
- *Non-current investments*  
Additional investments identified after budget approval.

##### **iii) Current Liabilities**

- *Provisions*  
During the period under review the provision for landfill site increased dramatically due to legislative requirements.
- *Current portion of Post employment benefits*  
Post employment benefits were included in the budget item for Non-current provisions.
- *Payables*  
Incorrect budget assumptions were used to budget for this item.
- *Unspent Conditional Grants*  
Incorrect budget assumptions were used to budget for this item.
- *Finance lease liability*  
Finance leases were not identified at time of budgeting.

##### **iv) Non-current Liabilities**

- *Long-term Liabilities*  
Less loans taken up than anticipated.
- *Finance lease liability*  
Finance leases were not identified at time of budgeting.
- *Non-current Provisions*  
During the period under review the provision for landfill site increased dramatically due to legislative requirements.
- *Post employment benefits*  
Post employment benefits were included in the budget item for Non-current provisions.

##### **v) Net Assets**

- *Statutory Funds*  
Incorrect budget assumptions were used to budget for this item.
- *Reserves*  
Incorrect budget assumptions were used to budget for this item.
- *Accumulated Surplus / (Deficit)*  
The variance is due to all prior period adjustments - refer to note 40 and incorrect budget assumptions.

#### **56.2.2. Statement of financial performance**

##### **i) Revenue from Non-exchange Transactions**

- *Property Rates - Penalties imposed and collection charges*  
Income was less than anticipated, due to increased credit control and debt collection measures.
- *Licences and Permits*  
More licences issued than anticipated.
- *Government Grants and Subsidies*  
Allocation from Department of Human Settlements includes funds administered and paid directly by the department to the appointed service provider.

**ii) Revenue from Exchange Transactions**

- *Interest earned - External Investments*

Increase in investment portfolio and unforeseen increase in the prime interest rate resulted in more interest received.

- *Other income*

Incorrect budget assumptions were used to budget for this item.

- *Gains on Disposal of Property, Plant and Equipment*

Amount or impact of possible gains could not be estimated at time of budget compilation.

**iii) Expenditure**

- *General expenditure*

Underspending due to gazetted allocation on housing including funding being administered directly by the provincial department.

- *Loss on disposal of assets*

Amount or impact of possible losses could not be estimated at time of budget compilation.

**56.2.3. Capital Expenditure per Function**

- *Community and Social Services*

Underspending on various projects.

**DRAKENSTEIN MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016**

**APPENDIX A**

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable Date	Balance at 30 June 2015		Received during the period	Capitalised during the period	Redeemed/written off during the period	Balance at 30 June 2016	
				R	R				R	R
<b>ANNUITY AND OTHER LOANS</b>										
DBSA	11.47%	1034854	2019	26,461,677	0	0	0	5,550,012	20,911,665	
DBSA	6.75%	1034855	2019	5,865,706	0	0	0	1,323,360	4,542,345	
DBSA	10.026%		2024	84,671,573	0	0	0	6,143,469	78,528,104	
DBSA				0	281,397,906	0	0	0	281,397,906	
NEDBANK	12.65%	49793540000	2018	42,792,668	0	0	0	12,546,621	30,246,046	
NEDBANK	10.22%	1957327022	2015	312	0	0	0	0	0	312
NEDBANK	10.64%		2021	52,661,480	0	0	0	6,655,668	46,005,811	
NEDBANK	8.18%		2017	16,711,508	0	0	0	8,019,612	8,691,896	
NEDBANK	8.63%		2019	16,970,256	0	0	0	3,719,335	13,250,921	
NEDBANK	9.14%		2022	97,436,371	0	0	0	10,462,637	86,973,734	
NEDBANK	7.75%		2016	26,096,406	0	0	0	26,096,406	(0)	
NEDBANK	8.79%		2018	25,159,812	0	0	0	7,672,665	17,487,147	
NEDBANK	9.93%		2025	197,762,135	0	0	0	12,375,633	185,386,502	
NEDBANK	8.74%		2018	2,037,865	0	0	0	622,728	1,415,137	
ABSA BANK	9.40%		2020	5,200,000	0	0	0	857,606	4,342,394	
ABSA BANK	9.21%		2020	13,178,699	0	0	0	2,181,551	10,997,148	
ABSA BANK	8.58%		2017	8,651,314	0	0	0	4,143,318	4,507,997	
ABSA BANK	9.15%		2019	14,347,634	0	0	0	3,118,547	11,229,287	
STANDARD BANK	9.94%		2019	0	6,723,010	0	0	0	6,723,010	
STANDARD BANK	10.26%		2021	0	6,410,000	0	0	0	6,410,000	
STANDARD BANK	10.08%		2023	50,489,178	0	0	0	4,351,354	46,157,824	
STANDARD BANK	10.25%	72154314	2017	10,748,684	0	0	0	5,105,255	5,643,429	
STANDARD BANK	10.40%	72154411	2020	30,376,478	0	0	0	4,904,635	25,471,843	
INCA	9.30%		2016	4,263,177	0	0	0	4,263,177	0	
INCA	10.03%		2018	9,355,909	0	0	0	2,818,927	6,536,981	
<b>TOTAL ANNUITY LOANS AND OTHER</b>										
<b>TOTAL EXTERNAL LOANS</b>										
				741,239,040	294,530,916	0	0	132,332,517	902,837,439	
				741,239,040	294,530,916	0	0	132,332,517	902,837,439	

## APPENDIX B1

## RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)

DESCRIPTION	ORIGINAL BUDGET (l.t.o. s28 and s31 of the MFMA)	BUDGET ADJUSTMENTS (l.t.o. s31 of the MFMA)	ADJUSTED BUDGET	SHIFTING OF FUNDS (l.t.o. s31 of the MFMA)	ADJUSTMENTS (l.t.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
<b>REVENUE - STANDARD</b>											
<b>GOVERNANCE AND ADMINISTRATION</b>											
Executive and Council	243,281,701	95,981,697	339,283,398	0	0	339,283,398	368,665,983	0	27,402,585	108.1%	150.7%
Budget and Treasury Office	12,983,071	2,070,000	15,023,071	0	0	15,023,071	19,668,588	0	4,645,517	130.9%	151.8%
Corporate Services	225,441,818	2,433,873	227,875,691	0	0	227,875,691	248,933,367	0	21,057,676	109.2%	110.4%
<b>COMMUNITY/NAND PUBLIC SAFETY</b>											
Community and Social Services	183,013,102	91,477,823	96,384,636	0	0	96,384,636	98,064,029	0	1,699,393	101.8%	2006.7%
Sport and Recreation	16,165,066	2,980,408	185,983,510	0	0	185,983,510	143,165,105	0	(42,728,405)	77.0%	78.2%
Public Safety	(108,880)	16,076,186	16,076,186	0	0	16,076,186	15,502,209	0	426,023	102.7%	102.0%
Housing	80,938,394	(1,433,439)	86,665,955	0	0	86,665,955	26,432,526	0	(1,022,426)	72.1%	51.8%
Health	80,779,326	17,524,000	67,748,043	0	0	67,748,043	71,291,838	0	3,543,795	105.2%	88.1%
<b>ECONOMIC AND ENVIRONMENTAL SERVICES</b>											
Planning and Economic Development	20,895,257	2,487,195	23,382,452	0	0	23,382,452	52,727,531	0	(45,675,795)	53.6%	65.3%
Road Transport	6,608,628	(6,608,628)	0	0	0	22,238,568	0	0	0	0.0%	0.0%
Environmental Protection	14,288,628	2,000,001	16,288,630	0	0	16,288,630	6,436,331	0	(168,297)	97.4%	106.4%
<b>TRADING SERVICES</b>											
Electricity	1,432,142,712	0	487,194	0	0	487,194	1,326,30,024	0	269,191	92.7%	105.7%
Water	983,120,519	(106,012,868)	1,246,130,024	0	0	1,246,130,024	1,323,675,571	0	(2,454,453)	0.0%	0.0%
Waste Water Management	186,114,462	(30,867,833)	952,452,886	0	0	952,452,886	948,587,416	0	(3,865,470)	99.8%	92.4%
Waste Management	132,785,574	(5,442,857)	180,671,605	0	0	180,671,605	184,032,000	0	3,381,395	101.9%	96.5%
Other	130,112,157	(92,018,743)	22,116,545	0	0	22,116,545	154,912,119	0	(528,537)	98.9%	116.3%
<b>TOTAL REVENUE - STANDARD</b>	1,879,332,773	0	(4,663,389)	1,874,669,384	0	0	1,874,669,384	0	0	0.0%	0.0%
<b>EXPENDITURE - STANDARD</b>											
<b>GOVERNANCE AND ADMINISTRATION</b>											
Executive and Council	263,943,822	(43,156,283)	220,787,539	0	0	220,787,539	203,607,226	0	17,190,313	92.2%	77.1%
Budget and Treasury Office	55,359,873	(26,243,710)	29,126,163	0	0	29,126,163	18,063,872	0	11,062,291	62.0%	32.8%
Corporate Services	60,935,891	3,406,026	64,341,917	0	0	64,341,917	59,128,770	0	5,213,147	91.9%	97.0%
<b>COMMUNITY/NAND PUBLIC SAFETY</b>											
Community and Social Services	147,848,058	(20,318,569)	127,329,459	0	0	127,329,459	126,414,584	0	9,148,875	98.3%	85.6%
Sport and Recreation	342,589,622	(10,345,482)	332,254,180	0	0	332,254,180	288,689,277	0	33,504,883	88.3%	87.2%
Public Safety	26,690,335	3,305,312	29,985,647	0	0	29,985,647	28,683,624	0	1,312,023	95.6%	107.5%
Housing	70,500,598	(10,931,193)	58,569,405	0	0	58,569,405	59,874,351	0	3,552,392	94.1%	97.5%
Health	116,734,746	(17,860,415)	98,874,331	0	0	98,874,331	96,515,487	0	2,358,844	97.6%	82.7%
<b>ECONOMIC AND ENVIRONMENTAL SERVICES</b>											
Planning and Economic Development	153,680,916	6,435,126	21,575,895	0	0	21,575,895	143,814,777	0	26,361,625	81.7%	96.1%
Road Transport	41,761,323	(5,441,954)	153,149,982	0	0	153,149,982	147,568,879	0	5,580,083	96.4%	96.0%
Environmental Protection	111,928,583	(1,585,519)	36,161,972	0	0	36,161,972	34,665,253	0	1,496,719	95.9%	83.0%
<b>TRADING SERVICES</b>											
Electricity	1,147,820,918	0	6,642,916	0	0	6,642,916	6,665,700	0	577,216	0.0%	95.5%
Water	785,271,318	50,545,797	1,198,168,715	0	0	1,198,168,715	1,171,518,461	0	26,648,254	87.8%	102.1%
Waste Water Management	123,017,078	24,300,571	898,571,869	0	0	898,571,869	809,377,889	0	3,155,398	95.6%	102.7%
Waste Management	115,598,630	4,648,145	120,244,775	0	0	120,244,775	123,779,797	0	4,917,797	96.2%	100.6%
Other	123,735,892	15,916,565	139,652,457	0	0	139,652,457	123,867,169	0	2,789,771	97.7%	101.8%
<b>TOTAL EXPENDITURE - STANDARD</b>	1,907,885,278	0	(3,497,902)	1,904,367,376	0	0	1,904,367,376	0	18,924,157	98.0%	98.7%
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	(28,532,505)	(1,165,487)	(28,697,992)	(28,697,992)	0	0	0	0	82,983,533	95.5%	95.5%
					Q	Q	Q	Q	(64,059,375)	-115,7%	-120,4%

**APPENDIX B2**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE)**

DESCRIPTION	2015/2016						ACTUAL OUTCOME AS % OF ORIGINAL BUDGET				
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (l.t.o. s28 and s31 of the MFMA)	ADJUSTED BUDGET	SHIFTING OF FUNDS (l.t.o. s31 of the MFMA)	ADJUSTMENTS (l.t.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE		
	1	2	3	4	5	6	7	8	9	10	11
<b>Revenue by Vote</b>											
Office of the Municipal Manager	0	0	0	0	0	0	0	0	0	0	0.0%
Corporate Services	16,010,956	2,085,825	18,096,781	0	0	18,096,781	22,399,412	0	0	0	0.0%
Community Services	313,493,739	2,823,497	316,317,236	0	0	316,317,236	274,397,709	0	0	(4,302,631)	139.9%
Financial Services	225,441,818	2,433,873	227,875,691	0	0	227,875,691	249,181,073	0	0	41,919,527	86.7%
Planning and Economic Development	6,621,269	(12,641)	6,608,628	0	0	6,608,628	6,191,625	0	0	(21,305,382)	109.3%
Infrastructure Services	1,317,764,993	(11,983,945)	1,305,771,048	0	0	1,305,771,048	1,303,575,408	0	0	41,17,003	93.7%
<b>Total Revenue by Vote</b>	<b>1,875,332,774</b>	<b>(4,963,390)</b>	<b>1,874,669,384</b>	<b>0</b>	<b>0</b>	<b>1,874,669,384</b>	<b>1,855,745,227</b>	<b>0</b>	<b>0</b>	<b>2,195,640</b>	<b>99.8%</b>
<b>Expenditure by Vote to be appropriated</b>											
Office of the Municipal Manager	6,581,304	(1,755,823)	4,825,481	0	0	4,825,481	3,471,272	0	0	1,354,209	71.9%
Corporate Services	94,360,915	(12,489,158)	81,871,757	0	0	81,871,757	57,059,362	0	0	24,012,395	52.7%
Community Services	479,877,746	49,881,532	529,759,278	0	0	529,759,278	478,608,793	0	0	51,150,485	61.3%
Financial Services	60,935,891	3,406,026	64,341,917	0	0	64,341,917	59,128,770	0	0	5,213,147	90.3%
Planning and Economic Development	39,961,174	(2,519,068)	37,442,106	0	0	37,442,106	35,845,001	0	0	1,597,105	99.7%
Infrastructure Services	1,226,148,248	(40,021,411)	1,186,126,837	0	0	1,186,126,837	1,186,470,645	0	0	(34,808)	97.0%
<b>Total Expenditure by Vote</b>	<b>1,907,865,278</b>	<b>(3,497,902)</b>	<b>1,904,367,376</b>	<b>0</b>	<b>0</b>	<b>1,904,367,376</b>	<b>1,821,383,843</b>	<b>0</b>	<b>0</b>	<b>100.0%</b>	<b>96.8%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(28,532,503)</b>	<b>(1,165,489)</b>	<b>(29,697,992)</b>	<b>0</b>	<b>0</b>	<b>(29,697,992)</b>	<b>34,361,384</b>	<b>0</b>	<b>0</b>	<b>(64,055,376)</b>	<b>95.5%</b>
											-115.7%
											-120.4%

**APPENDIX B3**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)**

DESCRIPTION	2015/2016						ACTUAL OUTCOME AS % OF FINAL BUDGET	AUCTUAL OUTCOME AS % OF ORIGINAL BUDGET			
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.e. \$21 of the MFM)	FINAL BUDGET	SHIFTING OF FUNDS (i.e. \$31 of the MFM)	VIREMENT (i.e. Council approved by law)	FINAL BUDGET					
1	2	3	4	5	6	7	8	9	10	11	
Revenue By Source											
Property rates	210,542,709	1,174,294	211,718,003	0	0	211,718,003	209,944,888	0	1,773,115	99.2%	
Property rates - penalties & collection charges	1,338,163	0	1,338,163	0	0	1,338,163	1,076,449	0	261,114	80.4%	
Service charges - electricity revenue	937,740,259	(25,807,344)	911,832,915	0	0	911,832,915	908,326,913	0	3,504,002	98.6%	
Service charges - water revenue	156,872,061	88,188	156,961,247	0	0	156,961,247	166,866,534	0	(9,985,287)	96.9%	
Service charges - sanitation revenue	79,850,821	680,002	80,540,823	0	0	80,540,823	79,059,167	0	1,481,656	106.4%	
Service charges - refuse revenue	100,313,617	(492,796)	99,820,821	0	0	99,820,821	97,464,633	0	2,356,188	98.2%	
Service charges - other	34,913	0	34,913	0	0	34,913	34,168	0	97,6%	99.0%	
Rental of facilities and equipment	23,479,783	(32,487)	23,447,296	0	0	23,447,296	24,342,599	0	745	97.2%	
Interest earned - external investments	10,984,880	31,000,000	13,984,880	0	0	13,984,880	19,261,074	0	(687,303)	104.0%	
Interest earned - outstanding debtors	10,931,059	36,907	10,967,966	0	0	10,967,966	11,151,109	0	(5,276,194)	137.7%	
Dividends received	15,120	0	15,120	0	0	15,120	0	0	(183,143)	101.7%	
Fines	67,453,766	(16,220,346)	51,233,420	0	0	51,233,420	52,716,212	0	0	102.0%	
Licences and permits	13,505,088	521,213	14,026,301	0	0	14,026,301	15,956,836	0	(1,482,792)	78.2%	
Agency services	0	0	0	0	0	0	(1,830,356)	0	113,1%	0.0%	
Transfers recognised - operational	182,871,423	22,849,735	205,721,158	0	0	0	0	0	0	0.0%	
Other revenue	31,841,533	(13,397,945)	18,443,588	0	0	(12,038,623)	193,682,335	0	47,427,774	0.0%	
Gains on disposal of PPE	250,000	0	260,000	0	0	0	30,482,411	0	19,076,788	80.0%	
Gains from assets from non exchange transactions	0	0	0	0	0	0	250,000	0	162,6%	156.6%	
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,828,026,195</b>	<b>(27,689,581)</b>	<b>1,800,336,614</b>	<b>0</b>	<b>0</b>	<b>1,800,336,614</b>	<b>1,786,948,462</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	
Expenditure By Type											
Employee related costs	441,003,937	(5,267,772)	435,716,165	0	0	435,716,165	425,943,373	0	9,772,792	97.8%	
Remuneration of councillors	21,346,235	0	21,346,235	0	0	21,346,235	21,053,960	0	292,275	98.6%	
Collection cost	96,286,610	0	96,286,610	(11,678,334)	0	0	84,588,276	84,588,556	0	(1,280)	100.0%
Debt impairment	178,770,770	(2,000,000)	176,720,770	0	0	176,720,770	172,942,787	0	3,777,983	97.9%	
Impairment Losses	0	0	0	0	0	0	0	0	0	98.8%	
Finance charges	69,128,330	9,839,869	78,968,199	0	0	78,968,199	76,609,347	0	2,358,882	110.8%	
Repairs and Maintenance	0	0	0	0	0	0	0	0	0	0.0%	
Bulk purchases	615,903,666	(23,276,780)	592,626,886	0	0	592,626,886	592,626,886	0	0	98.6%	
Other materials	0	0	0	0	0	0	0	0	0	0.0%	
Contracted services	23,463,380	116,682,401	140,165,761	0	0	140,165,761	124,505,542	0	0	98.2%	
Transfers and grants	664,500	(292,000)	492,500	0	0	492,500	492,500	0	0	530.2%	
Other expenditure	459,317,871	(89,402,695)	369,915,176	0	0	369,915,176	324,871,511	0	45,043,665	70.1%	
Loss on disposal of PPE	2,000,000	1,827,408	3,927,408	0	0	3,927,408	2,673,381	0	1,154,027	70.7%	
<b>Total Expenditure</b>	<b>1,907,865,276</b>	<b>(3,497,902)</b>	<b>1,504,967,376</b>	<b>0</b>	<b>0</b>	<b>1,904,367,376</b>	<b>1,826,308,643</b>	<b>0</b>	<b>76,058,533</b>	<b>95.9%</b>	
Surplus/(Deficit)											
Transfers recognised - capital	(79,839,083)	(24,194,679)	(104,030,762)	0	0	(104,030,762)	(39,360,381)	0	(64,670,381)	37.8%	
Contributions recognised - capital	51,306,577	23,026,193	74,332,770	0	0	74,332,770	73,721,766	0	(64,670,381)	48.3%	
Contributed assets	0	0	0	0	0	0	0	0	0	0.0%	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(28,532,506)</b>	<b>(1,165,466)</b>	<b>(29,697,992)</b>	<b>0</b>	<b>0</b>	<b>(29,697,992)</b>	<b>34,361,384</b>	<b>0</b>	<b>(64,670,381)</b>	<b>-15.7%</b>	
Taxation											
Surplus/(Deficit) after taxation	(28,532,506)	(1,165,466)	(29,697,992)	0	0	(29,697,992)	34,361,384	0	(64,670,381)	-12.4%	
Attributable to minorities	(28,532,506)	(1,165,466)	(29,697,992)	0	0	(29,697,992)	34,361,384	0	(64,670,381)	-15.7%	
Share of surplus/ (deficit) of associates											
<b>Surplus/(Deficit) for the year</b>	<b>(28,532,506)</b>	<b>(1,165,466)</b>	<b>(29,697,992)</b>	<b>0</b>	<b>0</b>	<b>(29,697,992)</b>	<b>34,361,384</b>	<b>0</b>	<b>(64,670,381)</b>	<b>-15.7%</b>	
										<b>-12.4%</b>	

**APPENDIX B4**  
**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

DESCRIPTION	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.t.o. s28 and s31 of the MFMA)	FINAL ADJUSTMENTS BUDGET	SHIFTING OF FUNDS (i.t.o. s31 of the MFMA)	VIREMENT (i.t.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
										7	11
<b>Capital expenditure - Vote</b>											
<b>Multic-year expenditure</b>											
Office of the Municipal Manager	7,082,500	(7,034,096)	48,404	0	53,896	102,300	7,769	0	94,531	7.6%	0.1%
Corporate Services	12,770,000	(2,707,586)	10,062,404	0	3,222,815	13,295,219	12,764,752	0	520,467	96.1%	100.0%
Community Services	27,186,610	6,142,091	33,328,701	0	11,984,908	45,313,609	43,510,693	0	1,802,916	96.0%	160.0%
Financial Services	0	75,000	75,000	0	207,807	282,807	276,376	0	6,431	97.7%	#DIV/0!
Planning and Economic Development	500,000	(326,054)	173,946	0	176,177	352,123	352,122	0	1	100.0%	70.4%
Infrastructure Services	252,340,735	(12,264,559)	240,076,176	0	21,653,421	261,729,597	260,140,622	0	1,588,975	99.4%	103.1%
<b>Capital multi-year expenditure sub-total</b>	<b>299,879,845</b>	<b>(16,115,214)</b>	<b>283,764,631</b>	<b>0</b>	<b>37,301,024</b>	<b>321,055,655</b>	<b>317,052,334</b>	<b>0</b>	<b>4,013,321</b>	<b>98.7%</b>	<b>105.7%</b>
<b>Single-year expenditure</b>											
Office of the Municipal Manager	0	0	0	0	0	0	0	0	0	0	0.0%
Corporate Services	4,500,000	(1,277,185)	3,222,815	0	0	0	0	0	0	0	0.0%
Community Services	23,884,502	(11,845,658)	12,038,804	0	0	0	0	0	0	0	0.0%
Financial Services	75,000	132,807	207,807	0	0	0	0	0	0	0	0.0%
Planning and Economic Development	1,482,000	(1,303,823)	178,177	0	0	0	0	0	0	0	0.0%
Infrastructure Services	46,016,146	(24,362,725)	21,653,421	0	0	0	0	0	0	0	0.0%
<b>Capital single-year expenditure sub-total</b>	<b>75,957,648</b>	<b>(38,656,624)</b>	<b>37,301,024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>Total Capital Expenditure - Vote</b>	<b>375,837,493</b>	<b>(54,771,838)</b>	<b>321,055,655</b>	<b>0</b>	<b>37,301,024</b>	<b>321,055,655</b>	<b>317,052,334</b>	<b>0</b>	<b>4,013,321</b>	<b>98.7%</b>	<b>105.7%</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>											
Executive and Council	28,205,000	(1,658,635)	28,546,365	0	0	26,546,365	25,527,938	0	1,018,427	98.2%	90.5%
Budget and Treasury Office	10,827,500	(9,815,160)	1,012,340	0	0	1,012,340	918,991	0	93,349	90.8%	8.5%
Corporate Services	75,000	207,807	282,807	0	0	282,807	276,376	0	6,431	97.7%	368.5%
<b>Community and public safety</b>	<b>17,302,500</b>	<b>7,948,718</b>	<b>25,251,218</b>	<b>0</b>	<b>0</b>	<b>25,251,218</b>	<b>24,332,571</b>	<b>0</b>	<b>918,647</b>	<b>96.4%</b>	<b>140.6%</b>
Community and Social Services	30,446,112	1,066,354	31,512,466	0	0	31,512,466	30,430,949	0	1,001,517	98.6%	100.0%
Sport and Recreation	4,436,302	(3,944,975)	491,327	0	0	491,327	408,791	0	82,536	83.2%	9.2%
Public Safety	23,339,810	605,275	23,945,085	0	0	23,945,085	23,264,756	0	680,329	97.2%	99.7%
Housing	1,270,000	2,550,009	3,820,009	0	0	3,820,009	3,672,362	0	147,647	96.1%	289.2%
Health	1,400,000	1,856,045	3,256,045	0	0	3,256,045	3,085,040	0	171,005	94.7%	220.4%
<b>Economic and environmental services</b>											
Planning and Economic Development	62,987,240	(705,315)	62,291,925	0	0	62,291,925	61,588,444	0	0	0	0.0%
Road Transport	1,982,000	(1,641,310)	340,690	0	0	340,690	340,689	0	1	100.0%	17.2%
Environmental Protection	61,015,240	526,106	61,541,346	0	0	61,541,346	60,867,947	0	673,399	98.9%	99.8%
<b>Trading services</b>											
Electricity	254,189,141	(53,474,242)	409,889	0	0	409,889	379,807	0	30,082	0.0%	0.0%
Water	57,316,592	(22,981,817)	34,334,775	0	0	34,334,775	33,969,448	0	1,209,895	98.4%	78.5%
Waste Water Management	86,632,105	(14,474,579)	72,157,526	0	0	72,157,526	72,091,087	0	365,327	98.9%	59.3%
Waste Management	91,115,444	(9,249,622)	81,865,822	0	0	81,865,823	81,540,480	0	66,438	99.9%	83.2%
Other	19,125,000	(6,768,224)	12,356,776	0	0	12,356,776	11,903,988	0	452,788	96.3%	62.2%
<b>Total Capital Expenditure - Standard</b>	<b>375,837,493</b>	<b>(54,771,838)</b>	<b>321,055,655</b>	<b>0</b>	<b>0</b>	<b>321,055,655</b>	<b>317,052,334</b>	<b>0</b>	<b>4,013,321</b>	<b>98.7%</b>	<b>84.4%</b>

<u>Funded by:</u>	National Government	Provincial Government	District Municipality	Other transfers and grants	Transfers recognised capital	Public contributions & donations	Borrowing	Internally Generated funds	Total Capital Funding	
39,687,630	18,448,059	58,135,689	0	0	58,135,689	57,063,987	0	271,702	99.5%	145.8%
11,618,947	4,649,448	16,268,395	0	0	16,268,395	15,932,778	0	0	0.0%	0.0%
0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>51,306,577</b>	<b>23,097,507</b>	<b>74,404,084</b>	<b>0</b>	<b>0</b>	<b>74,404,084</b>	<b>73,796,766</b>	<b>0</b>	<b>271,702</b>	<b>99.2%</b>	<b>143.8%</b>
294,530,916	(66,452,986)	228,077,920	0	0	228,077,920	226,357,987	0	1,719,933	99.2%	76.9%
30,000,000	(11,416,349)	18,583,651	0	0	18,583,651	16,897,581	0	1,686,070	90.9%	56.3%
<b>375,831,493</b>	<b>(54,771,836)</b>	<b>321,065,655</b>	<b>0</b>	<b>0</b>	<b>321,065,655</b>	<b>317,952,334</b>	<b>0</b>	<b>3,677,704</b>	<b>98.7%</b>	<b>84.4%</b>

**APPENDIX B5**

**RECONCILIATION OF BUDGETED CASH FLOW**

Description	Original Budget (l.t.o. s28)	Budget Adjustments (l.t.o. s28)	Final adjustments budget	2015/2016			Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget		
				1	2	3	6	7	9	10
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Ratepayers and other	1,575,399,521	(8,975,866)	1,566,423,655	1,471,263,641	95,160,014	93.9%	93.4%			
Government - operating	182,871,423	22,849,735	205,721,158	205,237,086	484,072	99.8%	112.2%			
Government - capital	51,306,577	35,207,135	86,513,712	86,513,712	0	86,513,712	0.0%	0.0%		
Interest	21,915,939	3,000,000	24,915,939	24,915,939	30,398,888	(5,482,980)	122.0%	138.7%		
Dividends	15,120	0	15,120	15,120	0	15,120	0.0%	0.0%		
<b>Payments</b>										
Suppliers and employees	(1,515,123,281)	(34,726,456)	(1,549,849,737)	(1,407,646,308)	(142,203,429)	90.8%	92.9%			
Finance charges	(69,128,338)	(9,839,439)	(78,967,777)	(76,609,347)	(2,358,430)	97.0%	110.8%			
Transfers and Grants	(694,500)	0	(694,500)	0	(694,500)	0.0%	0.0%	0.0%		
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>246,562,461</b>	<b>7,515,109</b>	<b>254,077,570</b>	<b>254,077,570</b>	<b>222,659,080</b>	<b>31,418,490</b>	<b>87.6%</b>	<b>90.3%</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PP&E	250,000	0	250,000	250,000	7,598,381	(7,348,381)	0.0%	3039.4%		
Decrease / (increase) other non-current receivables	289,000	0	289,000	289,000	521,630	(232,630)	180.5%	180.5%		
<b>Payments</b>										
Capital assets	(364,562,368)	(54,771,838)	(309,790,530)	(309,790,530)	(333,042,563)	23,252,033	107.5%	91.4%		
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(364,023,368)</b>	<b>(54,771,838)</b>	<b>(309,251,530)</b>	<b>(309,251,530)</b>	<b>(324,922,551)</b>	<b>15,671,022</b>	<b>105.1%</b>	<b>89.3%</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Borrowing long term/refinancing	294,530,916	0	294,530,916	294,530,916	0	100.0%	100.0%			
Increase / (decrease) in consumer deposits	731,854	0	731,854	731,854	2,782,081	(2,050,226)	380.1%	380.1%		
<b>Payments</b>										
Repayment of borrowing	(133,214,080)	0	(133,214,080)	(133,214,080)	(129,870,131)	(3,343,949)	97.5%	97.5%		
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>162,048,690</b>	<b>0</b>	<b>162,048,690</b>	<b>162,048,690</b>	<b>167,442,866</b>	<b>(5,394,175)</b>	<b>103.3%</b>	<b>103.3%</b>		
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>44,587,783</b>	<b>(47,256,730)</b>	<b>106,874,731</b>	<b>106,874,731</b>	<b>65,179,394</b>	<b>41,895,337</b>	<b>-12%</b>	<b>-17%</b>		
Cash/cash equivalents at the year begin:	124,164,246	(130,497,499)	254,661,745	254,661,745	259,525,666	(4,863,921)	101.9%	209.0%		
Cash/cash equivalents at the year end:	168,752,029	(192,784,446)	361,536,475	361,536,475	324,705,061	41,695,337	89.8%	192.4%		

**APPENDIX C**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 58 OF 2003**

DESCRIPTION	FUNDER	Quarterly Receipts												Quarterly Expenditure (Capital & Operating)				CLOSING BALANCE 30 JUNE 2016 R	
		OPENING BALANCE 1 JULY 2015 R			September R			December R			June R			March R		June R			
		Total R	Interest Received R	Interest Received R	Total R	Interest Received R	Interest Received R	Total R	Interest Received R	Interest Received R	Total R	Interest Received R	Total R	Interest Received R	Total R	Interest Received R	Total R		
NATIONAL GOVERNMENT (Conditional Grant) TRUST FUND : INDIGENT POLICY FUNDS	National Government	0	(40,352,000)	(32,282,000)	(24,211,000)	0	(96,846,000)	0	(16,045,000)	0	23,865,458	20,513,098	25,942,793	26,523,651	96,845,001	66,845,001	0.59		
NATIONAL GOVERNMENT (Conditional Grant) TRUST FUND : CMP PROJECTS	National Government	(34,817)	(2,900,000)	(17,883,000)	(13,263,000)	0	(34,046,000)	0	0	0	16,427,874	3,650,623	13,927,297	34,045,993	(34,823,92)	(34,823,92)			
NATIONAL GOVERNMENT (Conditional Grant) TRUST FUND : BUCKET ERADICATION, INCOS6	National Government	(43,897)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(754,83)		
NATIONAL GOVERNMENT (Conditional Grant) TRUST FUND : BUDGET REFORM PROG NT	National Government	(426,400)	(1,450,000)	(1,450,000)	0	0	(1,450,000)	0	0	0	562,129	0	0	0	0	0	(43,998,43)		
FMG TRAINING GRANT	National Government	(15,576)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(2,04)		
TRUST FUND:COMMUNITY DEMAND SIDE GRANT	National Government	(523,482)	(108,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	(26,400,00)		
TRUST FUND:COMMUNITY DEV WORKER (CDW)	National Government	(578,315)	(1,528,000)	(1,000,000)	(1,371,000)	0	(108,000)	0	0	0	67,334	516,272	13,442	13,442	(2,155,81)	(22,512,43)			
TRUST FUND : ELECTRIFICATION FUNDING	National Government	0	(445,000)	(334,000)	(333,000)	0	(4,000,000)	0	(1,112,000)	0	0	20,554	3,920,359	4,515,131	4,515,131	(84,183,56)	(84,183,56)		
EPWP : ROADS AND CLEANSING	National Government	(13)	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00			
EPWP-STORMWATER BASIC SERVICES OR THAMB	National Government	(1,624,357)	(6,532,000)	(6,217,000)	(14,967,000)	0	(40,716,000)	0	0	67,334	17,516,329	3,789,780	20,262,391	41,644,515	(68,542)	(68,542)			
PROVINCIAL GOVERNMENT (Conditional Grant)	Provincial Government	(0)	0	0	(4,578,762)	0	(4,578,762)	0	0	0	4,968,025	4,469,623	5,141,114	14,578,762	(0,20)	(0,20)			
TRUST FUND : PROCLAIMED ROADS SUBSIDIES	Provincial Government	(956,503)	0	0	0	0	0	0	0	0	0	0	0	0	0	(856,502,59)			
TRUST FUND : CARTERVILLE HOUSING PROJECT	Provincial Government	(920,804)	0	0	0	0	0	0	0	0	0	0	0	0	0	(920,803,70)			
TRUST FUND : DROMMEDARS STREET EHP	Provincial Government	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00			
TRUST FUND : HOUSING SCHEME A9 PROJ2	Provincial Government	(17,231,220)	0	0	0	0	(542,027)	(542,027)	(311,245)	0	0	0	0	0	0	0.50			
NEW SIZAZANA	Provincial Government	(622,182)	0	0	0	0	0	0	0	0	0	0	0	0	0	(6,826,015,42)			
ERF 2220	Provincial Government	(796,653)	0	0	(198,779)	0	(1,217,495)	(1,414,244)	0	0	0	0	0	0	0	0.00			
GOUDE	Provincial Government	(2,126,498)	0	0	0	0	0	0	0	0	0	0	0	0	0	(798,653,19)			
DALIOSAPHAAT TRANSFERS	Provincial Government	(453,180)	0	0	(905,777)	(126,809)	(11,000)	(1,043,586)	0	0	0	0	0	0	0	(941,553,63)			
TRUST FUND : KINGSTON	Provincial Government	0	0	0	0	0	(554,545)	(554,545)	0	0	0	0	0	0	0	(452,190,00)			
TRUST FUND : LANTANA	Provincial Government	0	0	0	0	0	(554,545)	(554,545)	0	0	0	0	0	0	0	0.00			
TRUST FUND : SIYASHALA	Provincial Government	0	0	0	0	0	(12,616,733)	(12,616,733)	0	0	0	0	0	0	0	0.50			
TRUST FUND : AMSTELHOF PROJECT 36	Provincial Government	(10,348)	0	0	0	0	(4,472,334)	(4,472,334)	(13,417,000)	0	0	0	0	0	0	(20,764,16)			
TRUST FUND : LIBRARY GRANT (PROV)	Provincial Government	(7,586,186)	(4,472,335)	(4,472,335)	(1,900,000)	0	(1,900,000)	(1,900,000)	0	0	0	0	0	0	0	0.00			
TRUST FUND : SPORTFONDS	Provincial Government	(207,515)	0	(830,000)	0	0	(930,000)	(930,000)	0	0	0	0	0	0	0	(7,920,683,44)			
MUNICIPAL SYSTEM IMPROVEMENT GRANT(MISG)	Provincial Government	(207,791)	0	0	0	0	(300,000)	(300,000)	0	0	0	0	0	0	0	(1,582,558,57)			
TRUST FUND : LIBRARY BUILDING GRANT	Provincial Government	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(5,06)			
TRUST FUND : MANAGEMENT SUPPORT PROGRAMM	Provincial Government	(19,333)	0	0	0	0	0	0	0	0	0	0	0	0	0	(20,764,16)			
TRUST FUND : SOCCERFIELD	Provincial Government	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00			
TRUST FUND : WRITING FESTIVAL (DON FUND)	Provincial Government	(25,100)	0	0	0	0	0	0	0	0	0	0	0	0	0	(19,042,95)			
TRUST FUND : SIMONDUM PIMER BIBLIOTEK	Provincial Government	(10,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	(25,089,78)			
TRUST FUND : SPATIAL DEVELOPMENT FRAMEWO	Provincial Government	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(0,000,00)			
TRUST FUND : PUBLIC TRANSPORT INFRASTRUC	Provincial Government	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00			
TRUST FUND : RUMTELIKE ONTWIKELENGSRAA	Provincial Government	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00			
TRUST FUND : STEDELKE SONGEBIED STUDIE	Provincial Government	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00			
TRUST FUND : MBEKWEI MULTIPUR CENTRE	Provincial Government	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00			

